UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

Case No. 22-10964-mg

- x

In the Matter of:

CELSIUS NETWORK, LLC,

Debtor.

- x

Adv. Case No. 22-01139-mg

- x

CELSIUS NETWORK LIMITED et al.,

Plaintiff,

v.

STONE et al.,

Defendants.

- x

Adv. Case No. 22-01179-mg

- x

FRISHBERG,

Plaintiff,

v.

CELSIUS NETWORK LLC et al.,

Defendants.

- x

Adv. Case No. 22-01190-mg

- x

SHANKS,

Plaintiff,

v.

CELSIUS NETWORK LLC, et al.,

Defendants.

- x

United States Bankruptcy Court

One Bowling Green

New York, NY 10004

February 15, 2023

10:14 AM

B E F O R E :

HON MARTIN GLENN

U.S. BANKRUPTCY JUDGE

ECRO: KS

HEARING re Final Hearing Using Zoom for Government RE: (I) Authorizing the GK8 Debtors to (A) Continue to Operate the GK8 Cash Management System, (B) Honor Certain Prepetition Obligations Related Thereto, (C) Maintain Existing GK8 Business Forms, and (D) Continue to Perform GK8 Intercompany Transactions, (II) Granting Superpriority Administrative Expense Status to Postpetition GK8 Intercompany Balances, and (III) Granting Related Relief (Related Doc ## 1627, 1653, 1784, 1902, 1912, 1917, 1930, 2002, 2021, 2048).

HEARING re Debtor's Motion Seeking Entry of an Order (I) Authorizing (A) the Sale of Bitmain Coupons and (B) the Conversion of Bitmain Credits Into Mining Rigs and Assignment of Rights in Such Mining Rigs, and (II) Granting Related Relief. (Doc# 2022 to 2024, 2026)

HEARING re Debtors Motion for an Order (I) Approving (A) Omnibus Claims Objection Procedures and Form of Notice, (B) Omnibus Substantive Claims Objections, and (C) Satisfaction Procedures and Form of Notice and (II) Modifying Bankruptcy Rule 3007(e)(6). (Doc# 1972, 2040)

HEARING re Second Motion to Extend Exclusivity Period for Filing a Chapter 11 Plan and Disclosure Statement. (Doc## 1940, 1996, 2008, 2010, 2011, 2013 to 2015, 2038, 2043, 1645, 2043, 2046, 2047, 2048, 2052, 2058)

HEARING re Status Conference Using Zoom for Government RE: Motion to Appoint a Chapter 11 Trustee. (Doc # 1975, 2018, 2020, 2034 to 2036, 2043, 2046, 2047, 2051, 2052, 2057)

HEARING re Motion for Order to Show Cause Why the Debtors Should not Retain Willis Towers Watson.
(Doc## 2042 to 2044, 1392)

HEARING re Status Conference on the Custody Phase II litigation held using Zoom for Government.
(Doc # 2025, 2039)

HEARING re Adversary proceeding: 22-01139-mg Celsius Network Limited et al v. Stone et al
Case Management Conference Using Zoom for Government.
(Doc ## 20 to 22, 24 to 27, 32 to 34, 42 to 45, 51, 65, 66, 70, 74, 75)

HEARING re Adversary proceeding: 22-01179-mg Frishberg v. Celsius Network LLC et al

Pretrial Conference Using Zoom for Government.

(Doc ## 1 to 7)

HEARING re Adversary proceeding: 22-01190-mg Shanks v. Celsius Network LLC, ET AL et al

Pretrial Conference Using Zoom for Government.

(Doc ## 1, 3, 8, 9 to 11)

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P R O C E E D I N G S

THE COURT: Good morning, everybody. This is Judge Glenn. We have a long agenda for today. Who's going to begin for the Debtor?

MR. KWASTENIET: Good morning, Your Honor. It's Ross Kwasteniet from Kirkland and Ellis. Can you see me --

THE COURT: Yes.

MR. KWASTENIET: -- and hear me okay this morning?

THE COURT: I can see you and hear you well. Thank you. Go ahead.

MR. KWASTENIET: Great. Thank you, Your Honor. As has become our custom, we propose to begin with a brief business update. We're joined on the line today by the Debtor's CEO Mr. Christopher Ferraro. So if it's all right with Your Honor, I'd ask Mr. Ferraro to update on a few points relevant to the business since our last update.

THE COURT: Thank you. Go ahead, Mr. Ferraro.

MR. KWASTENIET: Okay. Mr. Ferraro, do you mind just starting this morning with a brief update on the status of the company's mining operations?

MR. FERRARO: Yeah. Good morning, Your Honor. Overall, we are mining between seven to eight Bitcoin per day. The recent upturn at our sites has been around 75 percent. With the price of Bitcoin at current levels, our margin in EBITA have rebounded nicely since December. In

January we had a margin of around 30 percent and an EBITA of approximately one million. We are currently mining at a margin of around 25 percent. It should have approximately 750,000 of EBITA in February holding Bitcoin prices flat to today. We also recently entered into a contract to host approximately 7,000 machines. We are currently preparing to move the rigs to this locations and expect the 17,000 rigs to be online and hashing by the end of March with margins also around 25 percent at current market levels.

We are continuing the work to recover all of our 37,500 rigs from Core Scientific. Overall, we are confident that all the rigs will leave the Core sites by mid-March. To date, we have moved nearly 6,000 rigs to our East Style site in Texas with another 4,400 arriving in the next two weeks. Approximately 11,500 rigs are set for temporary storage as we look for new hosting opportunities. And we are in advanced discussions with another party to host nearly 15,000 additional rigs. We expect that all the rigs previously at Core will be hashing in the second quarter.

Additionally, we extended our liquidity runway through the sale of certain rigs generating approximately 1.3 million. We are not expecting any further rig sales. We also sold one traunch of Bitmain coupons for 2.7 million. Pursuant to our -- this was done pursuant to our de minimis asset sale procedures. The collective 4 million will

support our cash needs as we finalize the proprietary mining sites and deploy assets through new third-party hosting contracts.

MR. KWASTENIET: Okay. Thank you, Mr. Ferraro. The Debtors also recently filed a notice at Docket Number 1958 regarding certain custody users who are entitled to an immediate return of funds. Can you give us an update on the Debtor's efforts to return assets to these custody holders?

MR. FERRARO: Yeah. Absolutely. Thanks, Ross. On January 31st, the court authorized Celsius to permit certain customers specified in the distribution schedule to withdraw digital assets from the custody program. As a reminder, Celsius is authorized to distribute 94 percent of each eligible user's custody assets less transaction fees. This morning we began to notify over 22,000 eligible users through email of the necessary steps to facilitate withdrawals, including reverifying their identity and information regarding the destination address.

Eligible users will also receive an in-app notification to follow these steps. In the coming days we expect that eligible customers will be able to initiate the withdrawal process. We anticipate to receive a high number of requests and are committed to ensuring accurate and safe withdrawals off the platform. Overall, we will do everything we can to make sure the requests are processed

quickly.

THE COURT: May I ask you --

MR. KWASTENIET: Thank you.

THE COURT: May I ask you this, Mr. Ferraro? So I have ECF 1958 open on my screen, and I want to make sure I understand the fees that are charged. I see that for Bitcoin it has both a variable fee and then the total withdrawal fee. And for Bitcoin, the total withdrawal fee is $2.25. Explain how that works, if you would.

MR. FERRARO: So for each transaction in Bitcoin there will be a reduction of the net withdrawal for the gas fees, which --

THE COURT: Let me just assume that someone has 10 Bitcoin that they're entitled to withdraw. What's the total charge that will apply to them?

MR. FERRARO: Yeah. My understanding, and I don't have the numbers in front of me, Your Honor, will be the $2.50 that your --

THE COURT: It's 2.25 for Bitcoin. So it doesn't matter how many Bitcoin they're eligible to withdraw. They pay the same $2.25 for the withdrawal.

MR. FERRARO: Yes. That's my understanding, Your Honor.

THE COURT: Okay. All right. Thank you. Mr. Kwasteniet, is there anything else you want to raise?

MR. KWASTENIET: No, not for Mr. Ferraro, Your Honor. I would just note that the Debtors continue to become aware of phishing scams, and that is an instance where there will be a direct communication from the Debtors to the eligible customers and also a process whereby they can log in and verify through the app itself, which remains our most secure way of communicating with our customers. So this one is legitimate, Your Honor. If you receive the notification and you're able to verify it through the app, we're asking customers to go through the process that we've outlined to reverify their accounts so that we can process the distributions to them.

THE COURT: All right. Let me raise -- I think we were advised by your office that in one of the phishing efforts, an order of the court was modified, and it included in whatever the phishing effort. I haven't seen the actual phishing effort. If we find out -- if the Court finds out who was involved in that, I believe that in copying or modifying a court order, it's a felony. And I assure you that I will do everything I can to get the U.S. Attorney's Office to prosecute any instance of anyone modifying, tampering with an order of this court. So I assure you that efforts are underway to identify who is responsible for what's happened so far. It will be monitored.

Ms. Cornell, I see you the screen. The U.S.

Trustee I'm sure will also monitor that. I take any phishing episodes to be very serious. And if it involves any effort to mislead about what the Court has ruled, I will do everything I can to make sure whoever's involved is prosecuted to the fullest extent of the law. Go ahead, Mr. Kwasteniet.

MR. KWASTENIET: Thank you, Your Honor. And I would note that we've been in close contact with Ms. Cornell and the U.S. Trustee's Office, and have also reached out to other relevant authorities, including the U.S. Attorney's Office. So it's a situation that we take extremely seriously and are doing everything we can to follow up on it.

THE COURT: Thank you.

MR. KWASTENIET: Your Honor, that's all I have for Mr. Ferraro, but with Your Honor's permission, I would also propose to start before we get into the rest of the agenda with just a brief case status update for Your Honor and the parties.

THE COURT: Please go ahead.

MR. KWASTENIET: Thank you, Your Honor. First, I am pleased to report that since were last before you we have reached a settlement with the ad hoc custody group. My colleague Mr. Koenig will provide more details when we get to the custody status conference, which is listed at -- I

believe it's Item 9 on today's agenda. But suffice it to say this has been a big focus of ours, and we view it as a very, very positive development for moving these cases forward.

Second, Your Honor, the Debtors have entered into a stipulation with the Creditors' Committee regarding assignment of claims against Alex Mashinsky and other former officers and the related entities. This was filed yesterday by the Committee at Docket Number 2054, and I believe that stipulation will be up for our next omnibus hearing. Third, Your Honor, we are in advanced negotiations with the ad hoc committee to borrow --

THE COURT: May I just stop you? I haven't seen it. Is it only claims against Mr. Mashinsky or against others as well?

MR. KWASTENIET: It's others as well, Your Honor. It's -- the Committee attached a draft complaint to the motion where they identified a number of claims and causes of action Mr. Mashinsky, Mr. Leone, who was a co-founder of Celsius, as well as numerous other former executives, and then various entities that we believe are family trusts and other entities and vehicles associated with those individuals, Your Honor. And we have agreed that those claims identified in that complaint will be assigned to a litigation trust or similar vehicle under our plan.

And we've also agreed, Your Honor, to continue to coordinate with the Committee on the identification of any other claims against any other individuals that may be appropriate to also assign to a litigation. We also noted in the stipulation, Your Honor, that it's our intention and expectation that the plan will provide for the funding to complete the investigation of and pursuit of these claims on behalf of the customers.

THE COURT: Go ahead.

MR. KWASTENIET: Thank you. Your Honor, as I was beginning to note, we are also in advanced negotiations with the ad hoc Committee of borrow customers and are optimistic that we will reach a settlement with the retail loan customers that can be included in the Debtor's Chapter 11 plan. Mr. Adler's on the line, and I'm sure that he'll speak for himself when I conclude my remarks, but we are cautiously optimistic and encouraged by the progress that we've made to-date with Mr. Adler and his group.

Your Honor, finally after an extensive marketing process that began last year, and after weeks of intensive negotiations, last night at Docket Number 2066 the Debtors filed a summary of their proposed Chapter 11 plan. This transaction was negotiated with and has the support of the Creditors' Committee. And it's a very detailed presentation, and a lot of people contributed to it and

reviewed it, so I don't plan to read it go through all of the substance of it today. But I did want to highlight a few key features of the plan construct for Your Honor and for the parties on the line.

THE COURT: Why don't you hold off for just a second? I'm going to open it on my -- I'm sorry, what was the number that it was filed under?

MR. KWASTENIET: It was 2066 filed shortly after midnight last night, Your Honor.

THE COURT: Just give me a second.

MR. KWASTENIET: There's a notice and then an approximately 20-page PowerPoint attached to the notice.

THE COURT: All right. Go ahead. I have it open on the screen.

MR. KWASTENIET: Very good, Your Honor. The first key feature of the plan is that it provides for the immediate return of the vast majority of the Debtor's liquid cryptocurrency assets. As we -- as I indicated at our last hearing on the 24th of January, there will be a convenience class feature wherein customers with claims valued at $5,000 or less will get a one-time distribution of 70 percent of the amount of cryptocurrency they deposited. And this distribution will be in the form of liquid cryptocurrency.

Your Honor, we expect that more than 85 percent of the Debtor's total customer base will fall into this

convenience class. So meaning 85 percent of our customers we expect will get a 70 percent distribution of liquid cryptocurrency on or shortly after the plan's effective date. Your Honor, large earn customers will also receive a very substantial upfront distribution of liquid cryptocurrency. We're in discussions with the Creditors' Committee about exactly how much we'll be able to distribute and how much needs to stay back for purposes of working capital at the NewCo. But we expect a very substantial distribution of liquid cryptocurrency to the larger earn customers as well.

The large earn customers are also going to receive ownership interests in a NewCo, which is the next key feature of the plan that I want to talk about. The second key feature of the plan, Your Honor, is that there will be a professional management of the Debtor's illiquid assets. As I noted at our last hearing, one of the challenges in this case is we have illiquid assets that, after an extensive marketing period, we've determined now is not the right time to simply sell those. We're going to need to hold onto them, manage them, and hopefully deliver a lot more value to customers as market conditions improve.

The Debtors and the Committee, after a rigorous process, have selected a digital asset investment and development firm called NovaWulf to manage the Debtors'

illiquid assets. NovaWulf was founded by and is led by Jason New, who's formerly of Onyx Capital and Blackstone, and Michael Abbate, formerly of King Street. Jason and Mike have decades of experience managing billions of dollars in assets, and have assembled a world class team. And we are very much looking forward to and excited about Mike and Jason getting out in front of the customer community explaining their background, their vision for the future of the NewCo, and we're confident that customers will be as excited about that future as we and the Committee are.

Your Honor, NovaWulf is going to manage a NewCo that will hold the Debtors' illiquid assets, which again include the mining business, the illiquid cryptocurrency, the loan platforms, and other miscellaneous assets. NewCo is going to be owned by the larger earn customers. So in addition to getting a distribution -- a meaningful distribution of liquid crypto, the larger earn customers who are not in the convenience class will also get ownership of the NewCo. The -- we expect that the ownership interests in NewCo are going to be freely tradeable, and that NewCo will be fully licensed and will comply with all relevant regulations.

Your Honor, the third key feature of the plan is that we believe there is the potential for the future growth and development of NewCo. Certainly one of its core

functions is going to be manage and maximize the value of the Debtors' illiquid assets for a return to customers. NovaWulf is also going to be investing 45 to $55 million into NewCo and has plans to grow the NewCo platform over time. There's going to be a lot more discussions about what this means. There will be discussions with regulators along the way, but we believe that NewCo under NovaWulf's leadership has the potential to transform the cryptocurrency industry in a way that is fully licensed and compliant with regulations, and thereby to drive very substantial value for our customers, who, again, are going to own the equity in the NewCo. Your Honor, in terms of next steps --

THE COURT: Can I ask you this, Mr. Kwasteniet? I'm opened to page 4 of the slide deck, and there's a demonstrative of key plan highlights. And number 9 is litigation claims where we vigorously pursued for the benefit of general earned Creditors. You had, I think, mentioned a litigation trust. Is the litigation -- how are the -- well, let me back up a second because you talked about the one-time payments to earn account holders with less -- with $5,000 or less on deposit. Will they stand to benefit from any distributions from any litigation claims?

MR. KWASTENIET: Your Honor, the way that we're presently envisioning setting up that litigation trust, and whether it's a trust, whether the claims simply remain in a

Debtor entity that remains around, we're going to do this in the most tax-efficient way possible, and tax plays into the structuring. But what we were envisioning, Your Honor, is that the litigation claims will be treated like other illiquid assets. It's an asset that's going to require significant investment, significant time to develop, and would go to those larger earn customers who are going to be, you know, investing time, energy, resources into the NewCo.

The idea with the convenience class for several reasons, Your Honor, is to make a premium distribution, if you will, that is in part compensation for the fact that they're not going to be participating in the illiquid assets, which would include the litigation proceeds. And part of this is just a logistical reality, Your Honor, when we're looking at, you know, hundreds of thousands of customers who have, you know, small claims less than $5,000. Making distributions to them in the future just may not be feasible or practical. And you may end up depleting essentially most of what the value you'd have to distribute through the gas fees, transaction fees, administration fees for even trying to make the distribution.

THE COURT: I just wanted to have --

MR. KWASTENIET: (indiscernible) --

THE COURT: I just wanted to have some clarity about it.

MR. KWASTENIET: Yeah.

THE COURT: Go ahead.

MR. KWASTENIET: Yeah. So the idea with the convenience class is they get an upfront premium, and it's a one-time distribution. And they can take their liquid cryptocurrency and move on with their life and have no further involvement in or need to wait for subsequent distributions from the Celsius estate.

Your Honor, as next steps, the Debtors and the Committee are going to continue to work with NovaWulf with the goal of filing a binding term sheet by the end of this month, and a plan and disclosure statement next month. Your Honor, we still have important details to work out, but we're targeting confirmation of our plan and starting to return cryptocurrency and NewCo interests to our customers by as early as June of this year.

We read social media speculation about the timing of distributions likely being years and years into the future. We've got a lot of work to do to get there by June, Your Honor, including claims reconciliation, and that's a topic we're going to get into in greater detail later at today's hearing and we'll feature prominently in future hearings. But it is our intention to do everything we can to be in a position to start to make distributions, returns to customers as soon as possible as early as June of this

year.

Your Honor, that concludes my introductory remarks. And again, I would just note for everybody's benefit the document we filed at 2066, which contains more detail about the plan process. And there will be certainly more detail to come in the coming days and weeks.

THE COURT: All right. Let me -- does somebody from the Committee want to address, and then I -- Mr. Adler, I will call on you. First I'm going to call on the Committee, and then I know we're moving on from the agenda, but let me -- does anybody from the Committee want to add something?

MR. COLODNY: Your Honor, this is Aaron Colodny from White and Case. Can you hear me?

THE COURT: Good morning, Mr. Colodny.

MR. COLODNY: Good morning, Your Honor. I agree with Mr. Kwasteniet's description. I think this is a good result. And when we were before Your Honor on exclusivity the first time in December, you know, we set a target of today for the parties to determine the path forward. And we needed to know the Debtor's proposed path out of the Chapter 11, or we said we would ask Your Honor to allow us to propose our own. The Debtors listened, and over the past two months we've worked together to develop the proposed plan that's in that deck. And I can sit here saying that

that plan is the product of hard-fought negotiations between the Debtors and the Committee and NovaWulf.

And I want to talk about a couple of priorities that we had when negotiating that plan, but at a high level, our goal was to provide account holders with as much liquid crypto as possible while preserving the long-term value of the Debtors' illiquid assets. Because the one thing the sale process showed us is if you're to sell those illiquid assets now, we would return, you know, pennies on the dollar compared to what we think they're worth.

And so we were focused on -- I have eight elements. I think some were touched on by Mr. Kwasteniet, so I won't repeat them, but you know, the first one is to return as much liquid crypto as we possibly could to account holders. I think that comes through the convenience class that Mr. Kwasteniet talked about. It also comes through in upfront distribution to earn Creditors. And one of the items that you mentioned, Your Honor, about the convenience class not participating in litigation trust, it's our intention that if you have a claim over $1,000 you can elect to opt into the earned treatment.

So if you really like the concept of NewCo, if you really want a piece of those litigation trust interests, you can elect to receive that. You know, we've approached this as giving people options to pick currency that they prefer

over other currency.

The second, as Mr. Kwasteniet said, we were very focused on ensuring that Creditors own 100 percent of the Debtors' illiquid assets, which will happen through an equity share token in the new company. Third, we wanted to ensure that the new company and the Debtors' liquid assets were managed by experienced and qualified professionals. We've spent a lot of time with NovaWulf, Jason and Michael, and you know, we're very excited about their vision and what they have in store for the new company.

Fourth, we think it's incredibly important for the new company to be regulatory compliant to file public reports, 10Ks, 10Qs to show its balance sheet to its public, and be a fully disclosed company, In that regard, and fifth, we're focused on making sure the company has strong governance with qualified board of five to seven. It's seven seats total. Five of the seven are going to be appointed by Creditors.

Sixth, we needed to find a solution for the Debtors' loan portfolio, and that included a regulatory compliance servicer. There is a slide in the deck on figure who is a licensed loan servicer who will be providing those services to the new company. Seventh, we were very focused to ensure that the managers at NovaWulf and their interests were aligned with the interests of the token holders. We

think that the management share token, which will also be issued to earn Creditors, and we'll give them a dividend of 50 basis points off the net asset value of the company. We'll ensure that alignment. And also, we've worked with NovaWulf to structure their fee to make it so that that will align interest, and that they will have a vested interest in making sure those equity share tokens trade and reflect the value of the assets in the company.

And then finally, as Mr. Kwasteniet mentioned, the Committee is focused on ensuring that claims and causes of action against former directors and officers of the company that participated in wrongdoing are preserved and litigated to the benefit of Creditors. As Mr. Kwasteniet mentioned, we filed a motion to approve a stipulation, which is not up for hearing today, but the Debtors, and specifically the Special Committee, have agreed to contribute those causes of actions to a litigation trust and to work with the Committee to identify other potential actions that may be contributed to that trust as well.

So with that, Your Honor, you know, I think we've come a long way. We've got a framework in front of us now that I think provides a path forward and a path out of these Chapter 11 cases, and we're very appreciative of the Debtors and NovaWulf for working with the Committee tirelessly to make sure that could happen.

THE COURT: Let me ask Mr. Kwasteniet. You indicated that you -- call it a convenient class for this purpose, the claims of $5,000 or less will receive the one-time distribution. You said it would be in liquid cryptocurrency. Let's -- in what -- so assume that someone had deposited $3,000 worth of Bitcoin. In what cryptocurrency will you be distributing it to them? I mean, I already authorized the sale. (indiscernible) was unclear whether there would be a shortfall by coin type. Have you contemplated how that will work?

MR. KWASTENIET: Yes, Your Honor. And for those who have studied the detailed coin reports that we filed periodically on a monthly basis throughout these cases, you will note that there is a real mismatch between the coins that the company received on deposit and owes back to customers and the coins that the company presently has. Some of those coin types were more readily investable than others. And one of the things that Celsius did historically was to swap or sell less investable coin types and trade them for others that were more investable.

And so what we are contemplating, Your Honor, is regardless of the type of cryptocurrency those convenience class customers deposited, the return will be in Bitcoin, Ethereum, or USDC, which is one of the leading stable coins. We have to work with a Committee on the exact allocation and

whether or not people are going to have an ability to express a preference on it. But those three are relatively easy for us to transact in. They're widely available. They're very liquid, and so that would be the form.

So in your hypothetical, somebody who deposited Bitcoin, they may get the -- just the return in Bitcoin. Somebody who deposited some other coin, a Sushi coin or a Solana coin or what have you, we're proposing that the return to those customers be in some combination of Bitcoin, Ethereum, and USDC.

THE COURT: And how are CEL tokens going to be treated in this?

MR. KWASTENIET: Your Honor, that's been the subject of a lot of discussion and debate with the Committee. I don't think we've reached a 100 percent final conclusion there. But given the fact that the examiner report reveals in great detail how the price of CEL token was manipulated, we've really struggled with how to treat CEL token and what's a fair value to ascribe to it.

So one thing I'll note off the top with respect to CEL token is it's our intention to suppress or subordinate the CEL token claims of insiders who were involved in the manipulation of the CEL token price. So some of the insiders who were implicated in the examiner report are also some of the largest holders of CEL token on the Debtor's

platform. And it's our intention that they would not receive any recovery or distribution on account of the CEL token.

Your Honor, one of the things that we're looking at and discussing with the Committee is what was the initial coin offering price of the CEL token, right? What did we sell it for before the alleged price manipulation entered the picture? And maybe we ascribe I believe that was .20 cents, Your Honor, per CEL token. And so there's the thought that maybe we ascribe a .20 cent valuation to the CEL token.

Obviously whatever value -- we don't have enough coins to go around to return to all the customers. And we earlier in the case filed a cryptocurrency conversion table in part at Your Honor's suggestion. It was a resolution of an early motion filed by the Series B holders. We filed that at Docket Number 1420, Your Honor. That gives a conversion ratio as of the petition date for the various types of cryptocurrency. We believe that the trading price of CEL token as of the petition date was likely artificially inflated.

And if we were to ascribe that value to the CEL, it may take away value from -- or it just means that there's less value to go to the holders of other cryptocurrencies. So we're still finalizing our approach on that, Your Honor.

we do recognize that many of our customers took rewards, elected to take rewards in CEL token. Maybe could have taken rewards in other cryptocurrency, and so we think that there needs to be some reflection of that in calculating customers' claims. But we are struggling with the fact that the price of CEL token appears to have been meaningfully manipulated over time, and then therefore, what's the proper value to ascribe to that. So I think more to come, Your Honor, we envision that the plan will include a settlement of the CEL token related claims, and we'll propose, you know, a distribution calculation conversion calculation for the CEL token.

THE COURT: Thank you, Mr. Kwasteniet. Anything else you want to add before I call on -- I'm going to call on Mr. Adler next, but anything you want to add, Mr. Kwasteniet?

MR. KWASTENIET: No, not unless Your Honor has other questions for me.

THE COURT: I don't. Mr. Adler?

MR. ADLER: Good morning, Your Honor. David Adler from McCarter and English on behalf of the Ad Hoc Group of Borrowers. I just raised my hand maybe to take issue a little with what Mr. Kwasteniet said about advanced negotiations. We received the proposal on Friday, and we're reviewing it right now. Obviously we're speaking to, you

know, the ad hoc group members, but it's a framework, and that's something that we haven't seen, obviously, for the first seven months of this case. And obviously we do like the idea of preserving the loans and minimizing tax consequences. I do think there are a lot of details that need to be worked out as we go through this process, but we were encouraged when we saw it, but we think that there is a fair amount of negotiation that has to go into this process to make sure all the I's are dotted and the Ts are crossed.

And that's really all I wanted to say, Your Honor. I mean, I had filed, I guess it was last Tuesday, a complaint on behalf of the Ad Hoc Group Borrowers alleging a variety of causes of action. That was done in part because of the fact that we weren't having discussions with the Debtors, and I wanted to prompt them. But obviously, we look forward to, you know, continuing this process and resolving and hopefully negotiating some of these points that are still open issues for my group.

Just as a final point, Your Honor, we thought it would be best for the plan sponsor to be unveiled so that we could have -- you know, if we are giving our points to the Debtor and the UCC, they're conveying them to the plan sponsor. From our perspective, in terms of efficiency, we thought it might make sense that we're all together when we're discussing such issues as 3630. We have

understandings about the solvency of the plan sponsor and stuff like that so that we can, you know, not have to go through an intermediary to get the -- you know, the issues that we're concerned about addressed.

So that's really my main point, Your Honor. But I will say that I thought it was a framework that we can work from. It has to be tweaked. There are points of negotiation, but it is something that we were encouraged to see. Thank you.

THE COURT: Thank you very much.

MR. LEBLANC: Yes, Your Honor. Andrew Leblanc, Milbank. Can you hear me okay, Your Honor?

THE COURT: I can, yes.

MR. LEBLANC: And Your Honor, I'll be very, very brief. We saw the framework that Mr. Kwasteniet and Mr. Colodny just discussed for the first time this morning when it was filed overnight. As best we can tell from our quick review of it, it doesn't -- it seems to just ignore the existence of the issues that we have been litigating and expect will have to be continued to be litigated over the coming weeks and months. And so from that perspective we were disappointed. I think unlike Mr. Adler where there's a framework at least in place in a context for them to have a discussion of a resolution of that.

It either presumes an outcome of our disputes or

just ignores their existence entirely. And so we'll obviously take issue with that. I know today is not the time to do it, but I wanted to make clear to Your Honor that it certainly is not something that we view as satisfactory and doesn't -- frankly doesn't have any room for those issues to be resolved as best we can tell from a quick review of it.

THE COURT: Thank you.

MR. LEBLANC: So we'll be dealing with those issues.

THE COURT: Okay. Thank you, Mr. Leblanc. Mr. Iovine was another hand raised. Go ahead.

MR. IOVINE: Good morning, Judge. This is Jason Iovine, a pro se Creditor. In regards to the evaluation of CEL token, I would just hope that (indiscernible) and White and Case take into consideration that a lot of retail users did not buy at .20 cents. We bought at all-time highs all the way down. And it's just more punishment on the retail user, insiders 100 percent agree with you all. Should be zeroed out on them and everything but needs more consideration than .20 cents. At the filing date it was .81 cents.

THE COURT: All right. Thank you, Mr. Iovine.

MR. IOVINE: Thank you, sir. Thank you, Your Honor.

THE COURT: Mr. Lennon, briefly. I want to move onto the agenda. This was mostly informational, so there's nothing that's going to be decided today, but go ahead, Mr. Lennon.

MR. LENNON: Good morning, Your Honor. Brian Lennon of Willkie Farr and Gallagher. We represent Global X Digital, which is one of the bidders in the Debtors' process. I stand today for the limited purpose of just letting the Court know that Global X is disappointed to see the statement this morning, especially the part about the auction being potentially canceled. We continue to believe that we can present the estates with the value-maximizing proposal for the Debtors' mining business and potentially more.

We would note that the (indiscernible) proposal has not been finalized. And as Mr. Kwasteniet acknowledged, here's a lot of work to do and we're a long way from June. And we would ask and urge the Debtors and the UCC to continue discuss the merits of our proposal and allow the negotiating process to continue to play out as it should in any Chapter 11 case. Thank you.

THE COURT: Thank you. Mr. Frishberg, very briefly.

MR. FRISHBERG: I'll be as brief as I can. Effectively, the price of CEL token at .20 cents, when they

had the ICO, most of the CEL token did not actually sell at that price. And something to counter Mr. Iovine's point, something like only five percent of CEL token holders are account holders. Sorry. Only five percent of account holders hold significant amounts of CEL token over $5 or something like that. So I don't have the (indiscernible). 3.5. Something like that. Anyways, just take that into consideration, please. Thank you so much.

THE COURT: Thank you very much, Mr. Frishberg. All right. Mr. Kwasteniet, move on with the agenda if you would.

MR. KWASTENIET: Thank you, Your Honor. I believe the next item on the agenda is an update from the Consumer Privacy Ombudsman, so I will yield the floor.

THE COURT: All right. Ms. Thomson, go ahead.

MS. THOMSON: Good morning, Your Honor. My name is Lucy Thomson. I'm the Consumer Privacy Ombudsman. I filed my report on January 27th at Docket Number 1948. With Your Honor's permission, I would like to speak very briefly about next steps for privacy and highlight two important issues that should be on the Court's radar as discussions about the new company go forward.

THE COURT: Go ahead.

MS. THOMSON: The direction that the Debtors are taking may provide opportunities for protecting the privacy

of the consumer data. Their plans look promising. There's still further work to be done to identify the privacy rights of the active account users and develop a plan to dispose of the personal data of investors with inactive accounts. And I noted from the PowerPoint that the Debtors have no privacy information on their PowerPoint slide number 12 about governance and oversight, and I look forward to working with them on that issue.

I direct the Court's attention to my report on page 7 where there's a table that shows Your Honor and the parties who the investors are and how they can be grouped according to the status of their accounts and where they live. It's not obvious who these people are. So this table shows that there's 1.7 million total account holders. More than 600,000 of these individuals have active accounts, and 1.1 million have accounts that are inactive.

And you'll note from the table that Celsius account holders reside in all 50 states and U.S. territories, 370 of the active 1,000 active users reside in 200 countries around the globe, including all 27 European Union countries. So there's laws passed by these various entities that govern some of the transactions and privacy protections that these people will need to receive. And as an example, the Celsius privacy policy actually provides quite different privacy protections for residents of

California as well as residents of the EU countries.

So I want to address briefly the active account holders' privacy issues separate from the inactive accounts. The Debtors have indicated they intend to migrate the accounts of approximately 600,000 investors with active accounts to the new company. And has been mentioned earlier, due diligence should be conducted about the leadership of the new company and the plan sponsor to ensure that they'll protect the personal privacy of these account holders. This is the purpose of bankruptcy courts having applied the qualified buyer criteria in many prior bankruptcy cases as I explained on pages 37 to 39 of my report.

In addition, the new company should provide an opportunity to develop a new privacy policy that strikes an appropriate balance between the legitimate business interests of the company and the privacy rights of investors. The new privacy policy should be formulated before any new company is approved.

And then the second issue is what to do about the personal date of the inactive account holders. The Debtors have advised me that they do not plan to sell the data of individuals with inactive accounts. This is a very good decision from a privacy perspective. If that data is not sold, that data -- that decision will protect the privacy of

more than 1,100,000 Celsius account holders. But a plan for retention and disposal of the personal data of the inactive account holders must be developed promptly. There's a huge amount of personal and financial data on these inactive account holders, including biometric data, geolocation data, and other highly sensitive data.

This data must be retained for five to seven years to comply with IRS and other banking requirements, bank secrecy acts, state data disposal laws, and GDPR and country laws. Decisions must be made concerning how this data will be retained and how it will be disposed of during the data -- once the data retention period has expired. This has been a problem for bankruptcy courts in prior cases because retention and protection of this data requires a designated entity and resources to protect and process the data.

So one option would be for the new company to take on the job of protecting this data. And the sale order should say that this data cannot be sold at any point in the future. So I look forward to working with the Debtors and, Your Honor, the other parties to develop the details of these important issues.

And finally, I want to say that we shouldn't underestimate the importance of the need to protect the privacy of these active and inactive account holders. I set forward in my report on pages 31 to 36 details of the

significant risks that cryptocurrency investors are facing. In fact, the FBI and other law enforcement agencies have pointed out that cryptocurrency companies have been the target of numerous hacker attacks. And it's interesting that the joint statement on crypto asset risks to banking organizations that I included for Your Honor's review at Appendix B observes that many retail investors and consumers have been harmed during the past year because of their involvement with cryptocurrency companies.

The FBI has issued unprecedented warnings concerning the potential exposure of cryptocurrency customer account information to cybersecurity risks, and you could see that it's highly unusual for the FBI to issue such warnings, there's four or five of them, with such frequency and specificity.

So, in conclusion, I'm available to work on these issues with the Debtors and the parties and Your Honor to protect this important data and develop a privacy policy for the new company, determine how to protect the data of investors with closed accounts, and develop a plan for how the company can comply with the many state and country laws and GDPR that will govern some of the rights of these investors. So I'm pleased to answer any questions you may have.

THE COURT: Let me ask you, Ms. Thomson -- thank

you very much for your report. I didn't read your entire report. It's 86 pages long. I've skimmed through some of it. I have it up on my screen right now, in fact, as you've been talking about different sections. Do you have specific contacts at both Kirkland and Ellis, and White and Case with whom you've been dealing? If you don't, what I -- Mr. Kwasteniet I think and Mr. Colodny, I want to be sure that these privacy issues are dealt with as you're moving forward to put the details of the plan structure together. So are you able to tell me, Ms. Thomson, are -- do you have points of contact that you've dealt with?

MS. THOMSON: Oh, I do, yes. I've been working with Mr. Kwasteniet and Mr. Latona and Ms. Goldman and many people in Celsius. They've been --

THE COURT: Okay.

MS. THOMSON: -- very helpful. And I've spoken with the Committee lawyers from time to time, but there's many details. As you know, devil's in the details here. And these are some issues that tend to be somewhat complicated, they're all totally solvable.

THE COURT: All right. Thank you very much. All right. Who's going to proceed for the Debtors now?

MR. LATONA: Good morning, Your Honor. Dan Latona of Kirkland and Ellis on behalf of the Debtors.

THE COURT: Thank you, Mr. Latona.

MR. LATONA: The next item on the agenda -- good morning. The next item on the agenda is the final GK8 cash management order. The Debtors filed a declaration in support of that at Docket Number 2021. That's the declaration of Robert Campagna, managing director at Alvarez and Marsal, the Debtors' financial advisor. We also filed a revised proposed order this morning at Docket Number 2070 that cleans up the interim order to the final order.

Your Honor, the last remaining issue on the cash management order is the 345(b) waiver. We've been in discussions with the U.S. Trustee's Office on working with Bank Hapoalim in the Israeli branch and the Herzliya branch where those GK bank accounts are housed to execute a uniform depository agreement. Unfortunately, to this date we haven't been able to do that. However, we do believe that a waiver is appropriate in these cases.

Bank Hapoalim is one of the largest banks in Israel. And based on current conversion rates has approximately $189 billion in assets and approximately $152 billion in deposits. It's traded on the Israeli stock exchange and has a market capitalization of approximately $11 billion. It publicly discloses its financials and assesses its capital adequacy based on the Basel III directives, which were implemented and created in the wake of the banking crisis.

I don't believe Ms. Cornell has a formal objection, but I'll certainly allow her to speak for herself. Otherwise, unless Your Honor has any questions, we would request entry of the order on a final basis at Docket Number 2070.

THE COURT: Ms. Cornell?

MS. CORNELL: Thank you, Your Honor. Shara Cornell on behalf of the Office of the United States Trustee. That is correct. Debtors were unable to obtain a uniform depository agreement with Bank Hapoalim and they have submitted a statement in support of 345(b) waiver. However, it is the Court's province to grant a 345(b) waiver, not the United States Trustee.

THE COURT: And do you object to the waiver being granted here? It is my decision, but I'd like to know what your position is.

MS. CORNELL: I have no objection at this time, Your Honor.

THE COURT: All right. Then the waiver is granted. Mr. Latona, you can submit the order and it'll be entered, okay?

MR. LATONA: Thank you, Your Honor. Next --

THE COURT: Thank you very much, Ms. Cornell.

MR. LATONA: Your Honor, the next item on the agenda is the Debtors' sale motion of Bitcoin or Bitmain

coupons and credits. As part of the Debtors' ordinary course mining operations, the Debtors purchase mining rigs from various third-party vendors, and specifically for the purposes of this motion from Bitmain Technologies. And as an incentive for the Debtors and other mining operators to purchase additional mining rigs in the future, Bitmain provides certain incentives. First, the issuance of coupons at no cost. These coupons are typically applied toward future purchases in increments from 10 to 30 percent of the total price.

The Debtors hold approximately 37 million in aggregate of these Bitmain coupons. They do begin to expire beginning in March, Your Honor, so selling them and working with third-party purchasers is of the essence. And as these coupons inch closer to the expiration date, they do lose significant value. And so coupled with that and the secondary market of purchasers, the availability of the particular type of mining rigs that the coupons are eligible to purchase, they do fluctuate in value. So it is imperative that the Debtors quickly work with third parties to monetize these coupons.

In addition, Your Honor, as part of purchasing rigs and the fluctuation of the value of these rigs, Bitmain will issue credits to mining operators to be allocated toward future purchases. So for example, if the initial

contract value for mining rigs is 100 million, an initial purchase or initial installment payment of 25 million is made. Six months later a second installment payment of $35 million is made. And then at the time of final payment, Bitmain calculates the fair market value of the rates at that time. So in this example, if the fair market value is $50 million, the Debtors have already paid $10 million. Bitmain will issue a credit that can be used toward the future purchase of additional mining rigs.

THE COURT: But as I understand it, the credits are not assignable. Celsius would have to issue the purchase order --

MR. LATONA: That's right.

THE COURT: -- in order to take advantage of it.

MR. LATONA: That's right. So Your Honor, what the Debtors would propose to do in this instance is enter into a contract with Bitmain and then assign their rights to a third party under that purchase agreement. As part of that, they would execute the agreement using the credits, and also certain coupons that are not going to be monetized as part of the sale process. They're going to be monetized as part of the credit monetization process. So Your Honor --

THE COURT: Let me ask you a couple of questions first. So as I understand it, you want to be able to sell

the Bitmain coupons in a private sale without any actual auction. And I understand the urgency because of expiration dates. I have -- I want to hear what the Committee and what the U.S. Trustee has to say about it. No objections were filed to this motion. My question, Mr. Latona, are primarily about the Bitmain credits. And one question I have is in Bitmain refused to accept purchase orders from Celsius without adequate assurance of future performance.

MR. LATONA: Your Honor, I believe the Debtors would, you know, make sure that whatever assignment we make to third parties would contain that. We consider the --

THE COURT: Let me tell you I've got a couple of problems, and let me get them all on the table, okay? So I had -- the first issue was whether Bitmain can assist on adequate assurance of future performance and what form that would be given. I don't know whether there have been -- whether Celsius has actually been in negotiations with Bitmain about how to deal with this and whether this issue's been addressed.

The bigger problem I have, and it's not addressed in any of the papers, is what happens if Celsius enters into a purchase order? Essentially, it's committed to buy. If it doesn't perform, it arguably is an administrative claim. And what happens if Celsius orders rigs and its proposed counterparty assignee defaults? Is Celsius going to be on

the hook for an administrative claim for the purchase of rigs it really doesn't want?

MR. LATONA: Your Honor --

THE COURT: I'm concerned -- look, the entire crypto industry and mining have been in such turmoil. What protections or assurances are there that -- as to the creditworthiness of the assignee? The one thing I don't want to find out is that Celsius has entered into a purchase order to purchase rigs. Yes, they'll have coupons to apply for part of the price, but commit to a price, and then have its assignee walk away leaving you holding the bag.

MR. LATONA: Yes, absolutely, Your Honor. Understood your concern. So what I will say in this instance is, one, there would be no cash leaving the estate. It would be the application of credits and coupons. Secondly, we have been in consistent discussions with the Committee regarding these coupons and credits. They do have consent rights. So what we would do is we would make sure that the Committee is comfortable with the third-party purchaser, that that purchaser has the capacity to execute on the contract. What also --

THE COURT: I haven't seen -- what you're describing now I haven't seen in writing anywhere. And you're asking me to approve the Debtor entering into transactions for Bitcoin -- Bitmain credits that would

require the Debtor to commit to the purchase of rigs without me seeing what protections or assurances are there that the assignee is creditworthy, and it'll perform. You say that the Committee has approval rights, but I'm -- that's what my concern is. So I need to hear more about it.

MR. LATONA: Yes, Your Honor. We can, you know, work with the Committee on a revised form of order that addresses these concerns. We can, you know, fund the coupons and credits into escrow so that if the third-party purchaser cannot execute on the agreement, that comes back into the Debtors' estate and we can work with another third party to, you know, apply those credits and --

THE COURT: The coupons didn't, I don't think, raise that issue because you're just looking to sell them.

MR. LATONA: That's right.

THE COURT: It's the credits that I was uncomfortable about.

MR. LATONA: That's right, Your Honor. There is a subset of coupons that we are not having to sell, but we are looking to use in connection with this monetization process. So those would come back into the estate, not the coupons that we're looking to sell.

THE COURT: Well, let me hear from the Committee with respect to the coupons.

MR. WOFFORD: Yes. Your Honor, Keith Wofford from

White and Case on behalf of the Committee. As the Debtor's counsel noted, this motion has been the subject of continuing dialogue with respect to the mining business. And the Committee, like the Debtors, were concerned about the expiring nature of the coupons. They are effectively a melting ice cube. And thus, with the Committee consent mechanic that was in the revised order, the Committee supports the relief requested. With respect to --

THE COURT: I don't have the same problem about the coupons. I understand that because they'll hopefully find a buyer and you'll -- they'll get the price for it. It's the credits that gave me some heartburn.

MR. WOFFORD: Understood, Your Honor. I -- we heard your commentary loud and clear. I think as part of our consent mechanism, number one, we do have the concern with the credits that there is an active market, and we have to do things opportunistically in that market. And I think what we should probably do, Your Honor, is, although the Committee contemplated this in the first place, I think we should either have a mechanism where we get releases effectively from Bitmain in the nature of an ovation, or alternatively adequate credit assurances to protect the Debtors.

THE COURT: All right. So Ms. Cornell, do you want to be heard on this?

MS. CORNELL: Your Honor, we take no position on (indiscernible) --

THE COURT: All right.

MS. CORNELL: -- at this time. Thank you.

THE COURT: I'll approve the motion to the extent of the sale of the Bitcoin -- Bitmain coupons, excuse me. Bitmain coupons and permit the private sale of those. But I want to see more information about the credit. The credits don't expire as I understand. Is that correct?

MR. LATONA: Your Honor, Dan Latona of Kirkland and Ellis. They do expire in December of 2024. They expire two years after the final delivery of the rigs.

THE COURT: Okay. So there isn't the same timing urgency with respect to the credits that there was with respect to the coupons. And --

MR. LATONA: The only --

THE COURT: Go ahead.

MR. LATONA: I'm sorry, Your Honor. The only timing urgency is, Your Honor, is that Bitmain can change the terms of credit sales. For example, a few weeks ago, credits were freely assignable to third parties. Bitmain changed its terms on that.

THE COURT: Well, so give me assurance. You haven't -- you didn't file anything in your papers about this. And I see credit -- I see risk for the Debtors with

respect to the credits. You'll put your purchase orders in, and then in theory that's an administrative claim. And if your counterparty doesn't perform, good, you've got a lawsuit, you know? And how do I know that it isn't a company that's on the verge of its own insolvency proceedings and rejects the contract?

MR. LATONA: Understood, Your Honor.

THE COURT: I'm very uncomfortable. You haven't -- put it this way. Nothing in the papers gave me the comfort that I need to be able to approve this. So I'm open to doing it if you can satisfy me that between the Committee -- and I am somewhat comforted that the Committee has approval rights on this, but I don't think either of you want to have egg on your face when suddenly Celsius winds up on the hook for a large administrative claim, and then can go take a counterparty who probably will -- you know, will assert various defenses to the assignments. But you haven't given me any comfort about any of that.

MR. LATONA: Thank you, Your Honor. Understood. We'll work with the Committee what we would propose, and we can build this into a revised form of orders that the pre-payment has to be funded in escrow before a contract can be executed. But --

THE COURT: Okay.

MR. LATONA: -- we take Your Honor's comments

seriously, and we'll work with the Committee on a revised order.

THE COURT: Thank you. All right. Let's go on, on the agenda.

MR. LATONA: Thank you, Your Honor. At this time, I'm ceding the virtual lectern over to my colleague Ms. Jones.

MS. JONES: Good morning, Your Honor. Elizabeth Jones of Kirkland Ellis on behalf of the Debtors. Can you hear me okay?

THE COURT: I can, Ms. Jones. Go ahead.

MS. JONES: Thank you. Your Honor, the next item on the agenda is the Debtor's motion seeking an order approving omnibus claims objection procedures and form of notice approving notice of satisfaction and approving the omnibus substantive claims objections in addition to those already enumerated in Bankruptcy Rule 3007(d). In addition, Your Honor, we are seeking a modification of Bankruptcy Rule 3007(e)(6) to increase the limit from 100 claims objections in one motion to 250.

Your Honor, we filed the motion at Docket Number 1972. And since filing the motion, we've received one limited objection filed at Docket Number 2040. And late last night we filed a replay at Docket Number 2064 and a revised proposed form of order at Docket Number 2065. Your

Honor, with respect to the modification of Bankruptcy Rule 3007(e)(6), the reason we're seeking that here is today we're still reconciling our claims register since the end of the bar date, but we've had approximately 23,000 claims filed. And so we're seeking a slight increase to continue to move this along effectively and efficiently.

In addition, Your Honor, if I may take a moment in discussions with the Committee, we took some of their comments in their revised proposed form of order, but we also had discussions with them. And we thought it might be helpful if, in seeking approval of the motion today, we can just explain to the Creditors and those on the line what we're seeking to do here to hopefully ease some of their concerns about objections that may be filed in the future and hopefully address the concern that their claim may be expunged in its entirety.

THE COURT: All right. And Mr. Ubierna filed a limited objection at 2040. And am I correct that the language that you proposed in the amended order is intended to deal with issues that Mr. Ubierna has raised?

MS. JONES: Yes, that's correct, Your Honor.

THE COURT: All right. So go on and give your explanation. I think it would be helpful to everybody.

MS. JONES: Thank you, Your Honor. First and foremost, as you heard earlier today, we're hopefully and

cautiously optimistic that we're moving forward towards solicitation of a plan. And part of that is making sure that the voting process is both fair and effective. So with respect to that, some of the first claims objections that we're likely going to need to clean up here is when we filed our schedules and statements, we filed every single account listed. Since that time, the Debtors have been working very hard to reconcile that information to identify any individuals who may have more than one account on the platform and identify whether or not that is in violation of the terms of use.

So for example, if someone has seven accounts on the platform, that may have been done in violation of the requirement to only have one account. And with respect to that, we would likely file a claim objection to reduce their claim just so it's with one account, one amount so they're only getting to vote one time instead of seven times.

Second, Your Honor, and this is probably where there may be some of the most concern with respect to pro se Creditors, is in the event a pro se Creditor or other Creditor filed a proof of claim that does not match what we have in our schedules and statements, and the documentation that they have provided in their claim does not demonstrate that they should have this alternative amount, we would likely seek to file an objection to reduce and allow but not

to expunge their claim in the entirety, but to match it to what we have on the schedules and statements, which should match exactly what's in their account. I think one example of this is you may have seen in a footnote that there was an accidental claim filed in 117 quadrillion. We recounted that. It was --

THE COURT: Are you sure it was accidental?

MS. JONES: Well, so I will say this. The evidence that was attached to the proof of claim includes a screen shot of the type and amount of digital assets in the Celsius account for that user. We cross-referenced that with the schedules and statements, and it matches down the decimal exactly how we scheduled it. So it may not have been accidental, but with respect to that claim and similar claims like that, we would file an omnibus claim objection seeking to reduce and allow in the amount scheduled so that, for example, if someone either misses the notice or chooses not to respond because they're okay with that approach, they're not disenfranchised from voting. Their claim isn't being wiped entirely, and we're not seeking to remove or penalize anyone for doing their best to file a proof of claim and to preserve their rights only to make sure that individuals are voting in the appropriate amount.

Finally, Your Honor, this is one that is enumerated in Rule 3007(d), but pro se Creditors may not be

as familiar with, that throughout the bar date, if you file multiple claims, it's usually the last filed claim that we deem as what is allowed or admissible or what you are filing as what you think your claim is worth. If you have filed 1, 2, 3, 4, we would need to go in and seek approval to expunge claims 1 through 3 so that 4 stands. Again, that's typical of a clean-it-up. It's going to help us when we go through the solicitation and voting process to make sure that we are accurately counting votes and that individuals are getting the correct amount of votes.

So with that, I will reiterate that our goal here is not to disenfranchise Creditors, but really to clean up the claims register to make sure that voting is fair and equitable. And as Your Honor noted earlier, with respect to that, we appreciate and respect Mr. Ubierna de las Heras' objection, and we hope that the language that we've provided resolves that for him, which I can walk through the brief, and I'm happy to reiterate into the record if that's helpful.

But we've added in both the proposed claims objection procedures and claims objection form of notice that any Claimant who has received an omnibus objection, if they choose to file a response, in that response they can also seek discovery. The way that it would go is they would identify in their response that they want discovery. They

would notice that. We would come to the Court for the next hearing with respect to their claim. It would be treated as a status conference to determine whether or not discovery is necessary, and if so, set the appropriate schedule. So we want to make sure that Creditors are aware of their rights and have an equal opportunity to participate.

THE COURT: Let me ask you a couple of questions. That -- your proposed order also included proposed satisfaction procedures?

MS. JONES: That's correct.

THE COURT: And I'll describe it as a mismatch, but you do not require a minimum number of calendar days after a notice of satisfaction has been served when the hearing can actually occur. You treat notices of satisfaction and any disputes about that differently than claims objections. Can you address that?

MS. JONES: Yes. Your Honor, our goal there is that if we believe a claim has been satisfied is to send that notice. We've added a third request to the Committee. They would see that before it went out, so they would have that opportunity, and that we would only schedule a hearing if we get a response. I understand that the way that the timing works isn't as clear. So we're happy to adjust and mirror the 30 days just to keep it consistent and not to confuse Creditors there.

THE COURT: I would prefer if it was consistent between. Because in theory, you could wind up, if there was a hearing next week, you'd send the notice and you'd put it on for the hearing next week, and the Creditor may never even realize what's happening. And so I think that I do want this to be efficient, and it may be that the longer period isn't really required for the satisfaction procedures, but the order covers both. I would be more comfortable if the same time periods were included with respect to both the proposed objection procedures and the satisfaction procedures.

MS. JONES: Absolutely, Your Honor. We'll make that change and submit a further revised proposed order to chambers.

THE COURT: All right. Mr. Ubierna, do you wish to be heard?

MR. UBIERNA DE LA HERAS: Your Honor, Victor Ubierna de las Heras, pro se Creditor. The proposed revised order defined by the Debtors reserves my objection. Thank you.

THE COURT: All right. Thank you very much. And I appreciated your objection. I think it was well-taken. I'm glad the Debtor was able to resolve it. Okay. Does anybody else wish to be heard with respect to the omnibus claims objection and claim satisfaction procedures? All

right. It's approved, Ms. Jones. Thank you.

MS. JONES: Thank you.

THE COURT: I did have a very brief opportunity to look at the changes that you made. That's fine.

MS. JONES: Thank you, Your Honor.

THE COURT: All right. So you'll fix the timing, and subject to the last review by the Court, it will be entered, okay?

MS. JONES: Yes. Thank you, Your Honor.

THE COURT: Thank you very much, Ms. Jones.

MS. JONES: With that, I'd like to cede the lectern to my colleague Mr. Koenig.

MR. KOENIG: Good morning, Your Honor. Chris Koenig of Kirkland and Ellis for Celsius. I'm going to address the next several items on the agenda. First up is the exclusivity motion. That's Agenda Number 6. We filed a revised proposed order late last night at 2068. We filed a reply to certain objections that we had received at Docket Number 2067.

As we discussed at the start of the hearing, following our month-long bid process, we've now selected the NovaWulf plan sponsor transaction in order to maximize the value of Celsius' assets and distribute that value to our stakeholders. We're seeking a second extension of our exclusive periods to file and solicit a plan to give us

sufficient time to finalize the documentation with NovaWulf from the Committee and file the Chapter 11 plan that embodies the transaction that we're all contemplating. We're seeking an additional month and a half of the plan filing deadline that's through March 31st, and an additional three months after March 31st to solicit the plan. That's through June 30th.

We're of course hoping to move faster than that, but we ask for these periods to give us a little bit more time to the extent it becomes necessary as we finalize the documentation and ultimately solicit the plan. We've agreed to the Committee's request to include incremental milestones in the exclusivity order. Specifically we've agreed to file a term sheet contemplating the NovaWulf transaction on the docket by February 28th or such later date as we agree with the Committee. And we will file both a plan and a disclosure statement by March 31st or such later date as is agreed with the Committee.

With this agreement on the interim milestones and with the other progress we've made in the case, with securing the agreement and principle with NovaWulf, we understood that that resolves the Committee's objection to exclusivity. In addition to the Committee, we've been building a coalition of other supporting parties as well. As Mr. Kwasteniet mentioned, we have an agreement in

principle with the Ad Hoc Group of Custody Holders, which we'll describe a couple of agenda items down. And we've been, you know, also making progress with other constituents. You know, Mr. Adler, we've made significant progress with him. He can speak for himself, but we understand that he doesn't intend to pursue his objection to exclusivity given the constructive dialogues that we've had.

To be sure, Your Honor, there is more work to do. We have other stakeholders. We have 600,000 account holders, most of which are not represented by counsel. So we have plenty of public outreach and explanation that needs to take place in the coming days and weeks, and we intend to do just that, and today is the first day of that process. We don't have a resolution with the withhold group yet. We either need to come to a consensual resolution with them or litigate the issues surrounding the withhold accounts. And of course the regulators are critically important as well.

We've had initial conversations with certain federal and state regulators, answered some additional questions, provided some additional diligence, but we need to continue those conversations, and we will. But we've made very significant progress since the exclusivity was last extended in December. We now have the Court's (indiscernible) ruling, which is the basis for the Chapter 11 plan. We've briefed and argued the Series B preferred

issue last week. We have identified the NovaWulf deal as the transaction that provides the best path forward out of Chapter 11, and that transaction is supported by the Committee.

We have a settlement with the custody holders. We're having constructive dialogues with other stakeholders as well. And we've also done all of that while dealing with other critical workstreams in these Chapter 11 cases, including the GK8 sale, complying with the examiner's diligence request and interviews, finding new hosting deals for the mining business, reopening the platform to allow for withdrawals for custody holders, de minimis asset sales to maximize value, along with all the other administrative burden of Chapter 11 cases. You know, we have Chapter 11 reporting, you know, monthly operating reports, schedules, and statements, and all the rest of it.

Put simply, given the unprecedented legal issues in this case and the challenges across the cryptocurrency industry, the fact that we're standing here today with a framework for a volume-maximizing path forward that is supported by the Committee and one ad hoc group, and we have discussions with several of the other ad hoc groups, that's the definition of the Chapter 11 process working as intended for force the Debtor to engage with different stakeholders to negotiate.

The exclusive period is intended to require a Debtor to make incremental progress towards a plan in order for there to be cause for the Court to continue to extend the exclusive periods. We've done exactly that here with all the progress that we've made today, including most notably our selection of the NovaWulf transaction. And we've put forth a very viable timeline for the plan to be proposed, the disclosure statement to be approved, solicitation to occur, and for confirmation to occur.

At the end of the deck that Mr. Kwasteniet referenced at the top of the hearing, there's an illustrative timeline for all of those milestones that includes a confirmation hearing hopefully in June. So Your Honor, I'll pause there. You know, we filed a reply. I know that there are some objections that remain outstanding. I don't know exactly who intends to impress their objections today but let me pause there. I don't know if the Committee wants to speak or some of the objecting parties, and then I can reply.

THE COURT: Well, I want to speak first.

MR. KOENIG: Great. Thank you.

THE COURT: So the Debtor's motion is at ECF 1940. Objections were filed by Mr. Ubierna de las Heras at ECF 1996, the ad hoc group of withhold account holders at ECF 1940, Emmanuel Herman at ECF 2015, the U.S. Trustee at 2010.

The Ad Hoc Borrowers Group joined the objection of the U.S. Trustee at ECF 2013. Mr. Frishberg filed his objection at ECF 2014. I perhaps have left out some. I thought some of the state regulators also opposed, but it -- so Mr. Koenig, the first time that I had an opportunity to glance -- and that's all it was, it was a glance -- at the proposed plan structure, the outline, was while we were having this hearing. I had it open on a separate screen in front of me.

I think that -- I'll certainly give others a chance to speak now, but I think that every party who filed an objection to the extension of exclusivity is entitled to an opportunity to review what was just filed. I greatly appreciate the work of the Debtors and the Committee in particular. The Committee certainly previewed that they were still hopeful. They filed their objection but were still hopeful that by the time of the hearing there would be further progress. Well, there is.

And by what I would -- I do want to hear from anyone else who wants to speak to this issue. My inclination is to, to the extent necessary, give you a bridge order on exclusivity to the next hearing, but give those who did file objections an opportunity to review information that was provided today, information in the, you know, the slide deck that was attached. I just, as I say, only had the briefest opportunity to look at it as this

hearing was going. But -- so I'm certainly pleased. I do consider this -- on the face of it, it appears to be good progress.

I think, you know, Mr. Kwasteniet has indicated there's a lot of work to be done. Well, that's -- that is part of the normal process. So first let me hear from the Committee and see whether they want to be heard on this. Mr. Colodny, do you want to be heard on this?

MR. COLODNY: Dan Colodny from White and Case on behalf of the Committee. I agree with Mr. Koenig, and I think we -- as you noted, we previewed in our objection that we were working hard, and we were working hard up until the last minute. What was negotiated with the Debtors as part of exclusivity were -- I would call them check-ins. You know, milestones where we have to have a plan term sheet, where we have to have a disclosure statement on file, which I think is going to be a big list here based off the nature of the assets.

The financials of the Debtor, projections to the new company, new disclosure statements can be very important to everybody understanding what the plan proposes. So while those milestones are set (indiscernible), we can come in on an expedited basis if they're not hit to request Your Honor to lift that exclusivity. Obviously everyone would reserve all of their rights with respect to any such motion, but our

intention was that those would not be paper tigers but would instead be (indiscernible) milestones to hit and consequences that occur if they don't. With that, Your Honor, our objection is resolved. We think that we're making good progress, and we think that the Debtors' proposed timeline makes sense.

THE COURT: Ms. Cornell?

MS. CORNELL: Thank you, Your Honor. Shara Cornell on behalf of the Office of the United States Trustee. While we appreciate allegedly that some progress has been made in this case, there's still a long way to go before what's being described today becomes a plan. And I mean that with a big P. There are a lot of issues with the proposals, and we are, as Your Honor said, still evaluating. But for example, the proposal references selling preference claims in order to get votes for the plan. We have a lot of questions about the regulation regarding the Debtors' proposal and whether it is or could ever be feasible under current laws.

Moreover, we have seen no discussion of how the Debtors are going to get there, for example, with licensing. And at the same time, a lot of these questions are the same questions we have from the last hearing.

THE COURT: May I ask you this, Ms. Cornell?

MS. CORNELL: Sure.

THE COURT: Would you rather exclusivity end and get 600,000 plans proposed?

MS. CORNELL: No, Your Honor. But I just want to say I'll give you a little preface. You know, we've been talking about --

THE COURT: I -- look, I do not underestimate the difficult path ahead assuming that this proposed plan structure moves forward. You raise -- and certainly an exclusivity hearing is not the time to deal with disclosure statement objections or plan objections. So all rights are reserved on that but come back to the issue of -- I'm not going -- put it this way. I'm not going to simply grant the motion or extend exclusivity. I think everyone who has filed objections is entitled to an opportunity to read and review everything that got filed overnight and take that into account.

Hopefully there will be able to be consensus to allow this short runway of time to move forward. A -- I don't think it's in anybody's interest for there to be a free-for-all. And in theory that -- I mean, what the Committee argued is they could be permitted if exclusivity would end not at -- only as to them. I think before we get there, let's see -- I want to give people an opportunity to sort of digest. And if they want to file something, fine. Express why they still think exclusivity should be

terminated, okay?

MS. CORNELL: I understand, Your Honor. What I was going to say was that our suggestion -- and I think we spoke with the Debtors about it yesterday was exactly Your Honor's suggestion was to bridge this to the March 8th hearing. Because as I understand it, they were also discussing continuing the motions for a trustee until that date. So that's why I wanted to give Your Honor a little bit of background about where our office was going with our investigation. But I can save that for later if Your Honor prefers.

THE COURT: No, that's fine. Let me give other people a chance to speak to this, okay?

MS. CORNELL: Thank you.

THE COURT: Who else wants to be heard? Ms. Cordry?

MS. CORDRY: Yes, Your Honor. Thank you. I agree with you. I actually read this motion very briefly a little earlier this morning at about 7:15 when my cat woke me up, and looked at my computer, and I said oh, my goodness. A whole lot of new filings. So I've had a couple of hours to look at it, and again --

THE COURT: It's a funny thing when hearings like this are on the calendar. Sometimes what could be described as progress immediately before the hearing.

MS. CORDRY: Right. And I will say I'm impressed at the work ethic of the parties here. When I was working on the GM case back in 2009, I thought it was impressive that I was still dealing -- negotiating at 11:00 at night. But I see these being filed at 1:30 in the morning, so that is commendable. I would agree, again, that I think that the bridge order would be helpful, especially if by that time some of these milestones have started to be put into place.

We do still have a concern with the length of time, the three months after a plan is put on the table. It does seem a bit long to us. And we have one or two substantive concerns with the particular order there. There's a provision in there about reservation of rights to the SEC to challenge the treatment of crypto tokens. We think that should include the state governments as well.

I think though the other piece of this that we would just like to emphasize, and I think again, the point about exclusivity only the bridge order, there is a lot to be done to be regulatory compliant. We very much appreciate the numerous statements that have been made on the record about the parties' intentions to do that and to become compliant. There's a lot of work on that, and it's not something that there's been a whole lot of discussion with us. I won't say there's been no discussion between ourselves and the Debtors, but it's not been anything

intensive at this point. It's not been really working towards where this should go.

This morning was the first time we heard who the plan sponsor would be and where they're going with this. So we do think those are discussions that are going to need to become intensive between the Debtor and our parties as well to see if this is going to be a regulatory compliant and feasible plan by the time they get to it. But we filed a statement as opposed to an objection because when we first were reading this, we did appreciate what the UCC was essentially saying, which is it was time to fish or cut bait. And it seems that they're trying to fish at this point, so we hope that they will actually be able to pull a plan out of the water in the next few weeks.

THE COURT: Okay. Thank you, Ms. Cordry. Ms. Kovsky.

MS. KOVSKY-APAP: Thank you, Your Honor. Like you I have not had much of an opportunity to review the Debtor's presentation as to what a potential future plan might maybe look like if lots of different things fall into place over some future period of time subject, of course, to their ability to request further extensions. And I certainly have not had an opportunity to discuss this with my client group. I will say at a glance I have very serious concerns about what the Debtors are proposing. I understand that there's

going to be lots of further discussions, and you know, they at this point don't even have a binding term sheet with the proposed plan sponsor.

I was a little surprised at the Committee's last filing on this at the first exclusivity extension was that to the extent that the Debtors do not file an acceptable plan by February 15th, the Committee was going to be prepared to go forward and do so. So I am honestly a little surprised and disappointed that we're here looking at, you know, a further long road ahead of us.

THE COURT: Ms. Kovsky, would you prefer a free-for-all?

MS. KOVSKY-APAP: Your Honor, what we had suggested in our proposed -- in our objection to exclusivity was that it should be modified to permit the Committee and any ad hoc committee represented by counsel in the case to file an alternative plan. I don't think that any of the ad hoc committees in this case have behaved in an irresponsible manner or in anything that would be approaching a free-for-all.

THE COURT: All right. I think -- well, we'll leave that. I think we're headed towards a bridge order to get us to the March hearing, but let me -- Ms. Rood?

MS. ROOD: Thank you, Your Honor. Jennifer Rood from Vermont Department of Financial Regulation. I'd echo

all of the comments of Ms. Cordry and just point out that there hasn't been, despite what the UCC said, there's been one phone call several months ago and no outreach at all to regulators to give us a chance to -- you know, we have the understanding that they would tell us in confidential terms who the counterparty was going to be, and that never happened.

The process of either securities registration or money transmission registration, licensure, takes months. It's not something that happens fast. So, they really need to fit factor that into their planning. I think exclusivity -- I mean a bridge order sounds good, but exclusivity, beyond that, should be very limited. We're reaching the point where, you know, they either need to get this done or we need to liquidate. I don't want a free for all, but we're just driving along, burning a lot of money.

And the other thing that hasn't really been addressed, is the fact the Debtors, back at the last hearing, or one of the last hearings, may have had to do with the stablecoin. They indicated they have enough liquidity to get through, maybe, March. And they're proposing now to keep this case running through June, and that's assuming that there aren't any further extensions, which is not an assumption we can make.

So, I don't understand how this case continues to

move forward just on the, running itself on liquidity for the time that they're proposing to keep going.

THE COURT: All right. Mr. Adler? I'm going down the names on the -- with hands raised, in the order. They may not be the same on your screen, but I'm going in the order in which I'm seeing hands raised. Mr. Adler?

MR. ADLER: Good morning. Again, Your Honor, David Adler on behalf of the Ad Hoc Group of Bars. As I stated earlier, we received a framework for a resolution from the Debtors last week, with a lot of issues that need to be ironed out, but we are in favor or bridge order. We think that makes the most amount of sense, because it will allow us to vet these issues with the group, and interact with the plan sponsor, as I mentioned earlier. And I think that Your Honor's suggestion about a bridge order until the next hearing, is agreeable to the Ad Hoc Committee.

THE COURT: Thank you, Mr. Adler. Ms. Milligan?

MS. MILLIGAN: Hi, good morning, Your Honor. Can you hear me?

THE COURT: Yes, I can.

MS. MILLIGAN: Thank you for allowing me to speak this morning. I echo the comments from Ms. Cordry and Ms. Rood. Texas regulators filed a joinder. One suggestion, because I don't want to repeat everything; we do have concerns with liquidity. We have had minimal contact from

the Debtor and the Committee about this plan. We're learning all of this today. So, we do agree with the Court a far as a bridge order to March 8.

My suggestion, respectfully, would be that in the interim, Debtor and the Committee reach out to the regulators and have discussions about what they're proposing, because we're all leaning about this today. And as Ms. Rood said, these things take time. And we want to be able to have a position on where this goes, if it can go forward. So, thank you, Your Honor.

THE COURT: Thank you, Ms. Milligan. One additional comment I'd make is, you know, in many of my cases, I see a proposed plan and disclosure statement filed before exclusivity expires. And frankly, it's a placeholder. In any complex case, there's lots of issues that are going to have to be negotiated in a plan that, hopefully, ultimately, will be confirmed; may bear only a passing resemblance to the placeholder that was filed. So, we don't have a plan; we have an outline, essentially, in a series of slides. It's progress. How much progress, that's not for me to say at this stage. I think that the alternatives are not particularly attractive to me. I think what the Committee proposed is exclusivity, be terminated to permit the Committee and only the Committee to file a proposed plan. And they talked a little bit in their

opposition about what that might be, a liquidation plan.

But I think, for today, I think I'm going to give anybody else with their hand raised a chance to speak to it. But what I'm inclined to do is, as I've said, is I'll set another deadline for supplemental objections or support but put this over to the March 8 hearing. But let me hear from Mr. Mendelson, you're next on my screen.

MR. MENDELSON: Thank you, Your Honor, thank you for the Court's time. At the start -- first of all, a US citizen, a resident of the state of Florida -- at the start of this process, on day one, you said that the Court's major responsibility is to be fair, is to treat everyone fair during this process; which I certainly appreciate.

Today, I guess within the first two minutes of the Court, there was a mention of a custody settlement and other settlements. These settlements --

THE COURT: There's no settlement until I approve a settlement, Mr. Mendelson.

MR. MENDELSON: Good to hear, Your Honor.

THE COURT: I'll just say, the usual process is to try and get consensual resolution of issues like that. But it still requires Court approval and it gives parties an interest and opportunity to object. So, if, when you see it, if you have issues you're going to raise with it, you'll have an opportunity to do that. I don't know whether that

raises, that addresses your concern, but I didn't mean to interrupt you. Go ahead.

MR. MENDELSON: No worries, and I don't mind your interruption, of course. I want to kind of like reiterate what Ms. Cornell said, which is that these settlements, whether it's custody or other, seems to be contingent upon the settlement classes not being a part of a potential equity in the new company, or in potential litigation claims in the future. I just don't see how that would be a fair or equitable settlement or decision, without us knowing the exact amount that -- I guess it's the estate, or the UCC, is going to pursue against retail clawbacks. That has been the elephant in the room this morning. And I haven't heard any mention of, what is the minimum threshold for retail clawbacks. So, can we get some resolution on that today? What is the minimum threshold?

THE COURT: Today is not the time to get a resolution to that; this has got to move forward. Fair questions that you're asking, though, okay.

MR. MENDELSON: Appreciate it. Thank you for your time.

THE COURT: Mr. Herman?

MR. HERMAN: Thank you, Your Honor. Emanuel Herman, pro se. I commend the professionals at Kirkland for pulling another late night, and their work ethic. That

said, I've been digesting the outline that was submitted. And like others, I could use more time to review what the Debtors submitted. So, a bridge order would be good, and it would resolve my objection on exclusivity. After a quick review, I'm cautiously optimistic that the plan put forward, or the outline, as you said, Your Honor, can be a starting point, with lots of changes for getting out of chapter 11.

Mr. Frishberg and I met with the UCC this morning. We had a productive conversation. But I'm still digesting anything. I wouldn't prefer a free-for-all. I think, I do think, you know, ultimately, permitting the Committee and Ad Hoc Committees to file alternative plans, and having, potentially, a choice between two or three plans makes sense. I think if earn customers wanted to put forward a plan, we could hire a lawyer to do that. Obviously, we're not going to put forward viable plans if there's, you know, hundreds of plans filed.

But in any case, I don't strongly object to addressing this on March 8, versus today.

THE COURT: Thank you, Mr. Herman. Mr. Bernstein?

MR. BERNSTEIN: Good morning, Your Honor, Jeffrey Bernstein, McElroy Deutsch Mulvaney & Carpenter for the New Jersey Bureau of Securities. We think that the March 8 bridge order concept is sensible approach, given the information filed overnight. And we hope that this period

of time will be met with a robust engagement, so that we can get to an endpoint, and so that we can serve the function of providing the best outcome for the accountholders, the creditors here. And that's what the process, in large measure, is about. And we look forward to that opportunity, and to get to an endpoint that does as much as possible to contain the ongoing costs, so that the holders, the accountholders, can do as best as possible. Thank you, Your Honor.

THE COURT: Thank you, Mr. Bernstein. Mr. Frishberg.

MR. FRISHBERG: Thank you, Your Honor. Daniel Frishberg, pro se. I do have a lot of the same concerns everybody else voiced, so I will not voice the again.

A short-term bridge order is a good idea. Again, reserve all rights. But I do have concerns that the Debtors may attempt to use this bridge order and then, potentially, further bridge orders with -- I think it was described as a fish-and-bait, to drag this out for a while. I don't think anyone has been advocating for a free for all, and I don't think anybody wants a free for all. And I do have major concerns about waiving clawbacks as part of a settlement. Thank you, Your Honor.

THE COURT: Thank you, Mr. Frishberg. Does anybody else wish to be heard before we move on? All right,

I'm going to … we're going to put this on the calendar. I'll enter a bridge order, submit an appropriate bridge order; vet the form of the order with the Committee and the US Trustee; it's not complicated. We'll put it on the calendar for Wednesday, March 8. I'm going to set an objection response deadline of 5:00 PM, March 1, so that will give people a time to review what's been filed so far, for the lawyers to talk with your constituencies, your clients. And let's see where we get to. So, I'm going to set 5:00 PM, Wednesday, March 8, one week before the hearing on March 8, as the deadline for any further submissions. All right?

Ezra Serrur, I see your hand raised. Do you wish to be heard.

MR. SERRUR: Yes, hi. Thanks Your Honor. I just had a very quick question related to the custody asset withdrawal process that began this morning. It just relates to four pure custody accounts that were listed on the schedule. For those that were transferred according to, you know, Rule 3001, to another party, such as a fund, how will the KYC process work in that context? The filing on the docket wasn't entirely clear on that point. And I think it would be helpful if there was some clarity on, you know, how that would work in the context of a transferred claim and whether the new owner of that claim can, you know, engage in

the KYC process.

THE COURT: Anybody -- the Debtor want to address that?

MR. KOENIG: Your Honor, Chris Koenig, yes, I can address that.

THE COURT: Go ahead, Mr. Koenig.

MR. KOENIG: The relationship between Celsius and the customers, the original holder of the claim, we have all the data on that; that person has the app login, has the account, has the password. What's going to happen is the original account holder should complete the KYC, should complete the white listing, should withdraw, and then should take the, you know -- then it's between the seller of the claim and the buyer of the claim to transfer the proceeds. Celsius doesn't have a relationship with the buyer. The Claimant, frankly, doesn't have a method to, you know, establish a new relationship at this point.

So, what we said in the notice is, you know, while we recognize that there were some 3001(e)s that were filed, that the original claim holder should complete the KYC, should withdraw the claim and then, you know, in accordance with their purchase agreement, presumably pay that amount over to the claims buyer.

THE COURT: Thank you, Mr. Koenig. All right, let's move on, on the agenda. The next item on the Agenda,

number seven, is the motion to appoint a chapter 11 trustee, filed by Mr. Herman and Mr. Frishberg. It's ECF Docket No. 1975. Mr. Herman or MR. Frishberg, do one of you want to be heard, or both of you, frankly?

MR. FRISHBERG: Yes. Hello, Your Honor. Daniel Frishberg, pro se again.

THE COURT: Go ahead.

MR. FRISHBERG: If it's all right, I'd like to take a moment to explain the motion and why we filed it, and what we are hoping to accomplish with it. And then, Mr. Herman will have a few points of his own to make and will discuss the discovery issues that led to the status conference instead of it being an actual motion. Is that okay?

THE COURT: Yes, go ahead, Mr. Frishberg.

MR. FRISHBERG: Thank you. I appreciate there has been some progress made, but there are still some very major concerns that we have about governance at Celsius and how these governance issues impact winning the best interest of creditors. I hope to find consensual resolution to this motion, but we are not ready at this time to withdraw the motion. Mr. Herman and I filed this motion for a chapter 11 trustee, because there are serious grounds for a trustee. There are some major questions about who appointed the committee members, as well as other members of the current

management (indiscernible) Ferraro.

I am concerned about what it will mean to the details of any final plan, such as potential releases. David Barse, who was presumably appointed by, potentially, Alex Mashinsky, still has a veto power and major influence over any final plan, and what will be varied in the final plan details, such (indiscernible). As the ombudsman said, the devil is in the details. Over 350 creditors so far have signed a letter in favor of a chapter 11 trustee.

We have not filed this letter yet, since the motion is now scheduled to be heard on March 8. It's not quite as many as who signed the exclusivity letter, but we've only been circulating it for a short amount of time. This shows we are not alone in having the great concerns around the Debtors. We hope that the Debtors will finally have a town hall and actually interact with creditors and involve creditors in the restructuring, as well as claims such as the ones that had been laid out in the UCC's motion, or (indiscernible) motion, and address beyond that instead of just those, I believe, eight individuals and their shell companies. And it will hopefully address the massive conflict of interest within the special committee and the releases for insiders and other members of the management, beyond what is addressed in the complaint filed with the UCC.

Thank you, Your Honor. I will now hand over the virtual podium to Mr. Herman.

THE COURT: Mr. Herman, go ahead.

MR. HERMAN: Thank you, Your Honor. For the record, this is Emanuel Herman, pro se, Celsius creditor. I just wanted to add a few more context points, and then I'll move onto the discovery issues. So, you know, obviously, we didn't know exactly what would be proposed at the time we filed the motion, in terms of a plan. And then, frankly, they aren't really very relevant. So, whether there are grounds for a trustee, what is relevant and --

THE COURT: Mr. Herman, do you have any idea of what happens if a chapter 11 trustee is appointed now, to this process? You may be sometime next year when there's actual progress in this case. So, I may overstate it a little bit, but not by much. The appointment of a chapter 11 trustee will set this case back to about day one or two.

MR. HERMAN: Yes, Your Honor.

THE COURT: That doesn't mean you shouldn't make your motion; you've made your motion. But I just, you know, I'm not sure that you fully understand what the consequences would be of a chapter 11 trustee being appointed now.

MR. HERMAN: Thank you, Your Honor. I appreciate that, and I hear that. And you know, we understand that it's an extreme remedy, and certainly, at the time we filed

the motion, it made sense. I think it still makes sense to continue discussing this motion and pursuing it for the time being. You know, there are still some unresolved issues around maximizing recoveries for customers and ensuring -- really, like we did not -- I just want to be totally clear; we didn't file this, you know, because we didn't like a plan, or something like that. The concern is around maximizing recoveries for customers and ensuring that conflicts of interest have minimal to no influence on any final plan.

So, in particular, with a two-seat special committee, David Barse, who I've been told is a long-time friend of Alex Mashinsky, has veto power over any restructuring proposal; I assume both votes are needed, in the final points that go into any plan. So, it was great to see a start to the accountability yesterday, with the UCC's filing. I'm cautiously optimistic progress is being made.

THE COURT: Mr. Herman, Mr. Barse, whether under the existing structure he would have veto or not, if the Committee were permitted to file a plan, Mr. Barse would have no veto power whatsoever. What I still would hope is that the Committee and the Debtors would continue their work and come up with a plan that would be proposed, by the Committee and the Debtor. It is certainly possible for the Court to permit the Committee to file a plan. And that

won't give anybody in management a veto. So, I think -- I understand your concern. I have no reason to believe that Mr. Barse or anyone else is conflicted. I understand that statements have been made about his long-time friendship with Mashinsky. If it was that, I'll assume that to be true for now. But that would not alter -- you know, he has a fiduciary duty in terms of the management of the company. And there is a Committee which, I know some creditors have questioned the activity of the counsel for the Committee. I think they've been performing admirably, frankly. But that's not for today either.

So, I guess the only point I would make, Mr. Herman, is we're either going to get to a plan that's jointly proposed; if there can't be, I would have been ready to rule on the exclusivity motion today. We're going to move forward. I view the -- we'll call it a plan outline. I'm not quite sure what to call it. I haven't had a chance to study it completely. I'm sure, I doubt whether you or your colleagues have had a chance to really study it correctly. It's not the final word. It's typical when a plan is proposed in a complex case, there is plan negotiation and adjustments made. And what's filed as a plan, the first day one filed, is not necessarily what we end up with at the end.

I have said from the start, I mean my goal here is

an outcome, whatever form it takes, that will maximize the recovery for all of the creditors. But I interrupted you. Go ahead, Mr. Herman.

MR. HERMAN: No, please. Thank you, Your Honor. I appreciate the context and the background. And I guess I can, you know, I can move onto discovery while saying, again, just reiterating, we really would like to resolve this consensually. And, you know, we understand -- like I understand that it would not be -- that there are … it would not be ideal if, you know, if there's a way to get a plan passed that doesn't -- that deals with these issues in another way. Like, for example, Your Honor, you pointed out that the UCC could propose a plan if the Special Committee were to stand in the way of -- you know, if there were issues around, say, releases or other things that the Debtor and the UCC and other parties couldn't resolve.

So, again, I'm hoping for a consensual resolution. That said, on discovery, I'll move onto that.

THE COURT: Go ahead.

MR. HERMAN: We tried to consolidate our discovery requests all in one place and our proposed witness and evidence list. I think we could probably further narrow that. We listed some of the documents that we would enter into evidence. Some of them we don't have, you know, to start one limited request is to get corporate records and

other information about -- and this was actually mentioned -- there's a good filing by the states, that you referenced earlier in this hearing. It's mentioned in that filing as well, that one limited request is to get corporate records about who appointed Mr. Barse, Mr. Carr and Mr. Ferraro to their current roles.

Then, another request is if, you know, well, that's relevant to 1104(e), I suppose, in any case. And then another request is documents that were already used in the examiner's report, which I don't think would cost the estate much, or any net money. Because we contacted the Examiner's Office and were told they were aiming to eventually release these documents anyway, but they're not ready to do so yet. So, presumably, Kirkland will be reviewing these for eventual publication. They're referenced in the Examiner Report, you know, which I understand is hearsay. So, then we were asking for some of the primary course.

THE COURT: Well, they would still be hearsay. It doesn't become not hearsay when you get them from the Examiner. The Examiner didn't -- Examiner conducted interviews; it's all hearsay. The documents have to be authenticated. It doesn't create admissible evidence just because the Examiner turns them over to you.

MR. HERMAN: Understood. So, then we would need,

essentially, declarations from like Kirkland or something to go with them, is what you're saying.

THE COURT: Well, that wouldn't necessarily do it either, but …

MR. HERMAN: Okay.

THE COURT: Anything else you want to say on discovery?

MR. HERMAN: You know, finally, we ask for some depositions. I think at this point, David Barse is who we'd want to hear from. I understand, you know, the other Special Committee member, Mr. Carr, filed a declaration. I don't think Daniel or I are actually questioning his qualifications or his bankruptcy experience or anything. Nor do we believe that he had any kind of relationship with Alex Mashinsky. So, that's not really an issue that we had; it was with Mr. Barse.

THE COURT: Mr. Koenig, do you want to be heard?

MR. KOENIG: I do, Your Honor. Thank you. Chris Koenig. First, before getting to discovery, I need to take a moment, because there's base speculation by the Movants about the independence of the Special Committee, and the actual evidence in the record that was submitted as part of -- we found two declarations: one of Mr. Ferraro at Docket 2046; one of Mr. Carr, one of the Special Committee members, at 2047. All of the evidence makes clear the integrity and

the robust -- the integrity of the Special Committee members, the robustness of our process. Both of the Special Committee members have a long experience serving on boards in the restructuring capacity. They served on many other distressed companies; currently serve on other distressed companies. They are individuals of the greatest integrity and have cooperated through these cases with the Committee and have worked to maximize value for all constituents.

And just two very quick points: The Movants suggest that Mr. Barse has a relationship with Mr. Mashinsky. The Special Committee authorized the termination of Mr. Mashinsky back in September, which we explained in the declaration of Mr. Carr. The Special Committee recently signed off on the stipulation that you heard about at the beginning of this hearing, which assigned claims against Mr. Mashinsky, to a litigation trust that will be pursued by appointees of the Creditors Committee.

So, just to be clear, all of the evidence in the record makes clear that these two individuals are of the highest integrity, have absolutely no conflicts of interest with Mr. Mashinsky, and you know, we'll certainly comply with proper discovery requests and go through the process. But all of the facts, the actual facts, the actual evidence, make clear that there is no issue here, and we'll certainly let the facts bear that out over time. But I needed to say

that for the record, given the comments that were made.

THE COURT: All right. Have you considered filing a declaration for Mr. Barse as well?

MR. KOENIG: Your Honor, we'd certain consider it, given the comments that were made this morning. We need to speak to our client.

THE COURT: Speak to your client about it, okay. All right. Does anybody from the Committee want to be heard? Mr. Colodny? You're muted.

MR. COLODNY: Sorry. Muted on my phone and now on the video. Your Honor, as part of the first exclusivity, we conducted some discovery into the Special Committee and how they were handling the case. I think that discovery came away with a clean bill of health at this time. I think that we agree with Mr. Koenig that their actions thus far have spoken for themselves. They have read the contract. I think they've fully -- at least in our view; I'm sure not in the preferred equity's view -- faithfully observed them and taken positions that we believe are consistent with the plain language of the contract. We've been meeting with them, we've moved forward. We don't have any reason, at this time, to question their integrity. Other than that, you know, I would just note that the stipulation between the Committee and the Debtors provide: one, for the public disclosure of our complaint, which was filed yesterday, and

also provides that if the order is entered by the Court, a litigation trust will be set up; those causes of action and any other causes of action against the Defendant, and other causes of action against other prospective defendants that are agreed to by the Committee and the Debtors, will go into that trust. And if we have any disputes about that, we'll come before Your Honor and have those disputes in a public forum.

To me, that's how bankruptcy is supposed to work. We have gotten a long ways in this case. I think that our objection to the trustee motion was aimed at exactly what Your Honor pointed out; if the trustee were appointed at this time, we think it would undo all of the progress that has been made; it would have an extreme negative effect on the recovery for creditors, and that's not something that neither me or my constituency are interested in at this time.

THE COURT: All right, thank you, Mr. Colodny. There's one more hand raised, Mr. Khanuja?

MR. KHANUJA: Thank you, Your Honor. Can you hear me fine?

THE COURT: Yes, I can.

MR. KHANUJA: Your Honor, I've made a declaration in support of the Trustee motion. So, I've made many of the points that I'm not going to repeat them here. But in light

of the plan that has come forward, and in light of what you mentioned earlier today, like, you know, appointment of a trustee, how it can potentially bring it to day one or two. You know, our understanding was different. We thought a seamless transition of knowledge may happen, the trustee appointment, so it won't go back to day one or two. But if that's the case, then we will withdraw support.

Having said that, with regards to the plan, and with regards to some of the concerns that were raised by Daniel Frishberg and Emanuel Herman, and in my support letter as well, (indiscernible). David Barse, for example, has an equity stake in Celsius, which hasn't been pointed out. Now, all of these create a conflict of interest, which we have already seen in many of the scenarios in this.

For example, the Debtors' plan which was proposed today, there is a possibility that preserving some value for Celsius (indiscernible), and for equity holders, was a primary consideration (indiscernible) current plan. We don't know whether the current plan is better, or how it compares against liquidation or some of the other plans that were submitted months back. So, all of these must be brought to light, I would say.

THE COURT: Thank you very much, Mr. Khanuja. All right, let me say this. For those of you who've read the legal briefs that were filed in connection with this motion,

there were references to one of my prior decisions in, In re 1031 Tax Group. And the whole history was not laid out there. The initial motion for the appointment of a chapter 11 trustee, I denied without prejudice. Perhaps a month or six weeks later, when the situation and the case had changed, and there was a renewed motion for the appointment of a trustee, I granted the motion, as in the interest of creditors in the estate.

I'm going to deny the chapter 11 trustee motion, which is filed as ECF document 1975, without prejudice. I think with the developments that, at least carry us forward to the March 8, March 7 hearing -- March 8, I guess, March 8 hearing, it's progress. There's a long way to go. I commend the Debtors' counsel and the Committee's counsel in their efforts to reach out with a proposed plan sponsor to manage the NewCo. It's progress. There's a lot to be done.

So, one of the things, Mr. Herman, that I try to focus on -- you know, the Examiner's Report is hearsay. The documents the Examiner has, for the most part, will be hearsay. But I've sort of asked myself the question, if everything is reported in the Examiner's Report were established in a non-hearsay fashion, as evidence in the case, would that support justify the appointment of a trustee under 1104(a)(1)? And my answer to that was no.

The Examiner's Report is extremely thorough, and I

think she really did an excellent job. It's obviously very lengthy. There clearly were a lot of problems at Celsius. It will be for a litigation trust, and perhaps the US Attorney's Office, to deal with issues of misconduct that went on. But the issue for today is whether or not a new fiduciary, a chapter 11 trustee, should be appointed.

My conclusion is, on the record today, the answer to that is no. So, I'm denying the motion without prejudice. Things could change, Mr. Herman, that would lead me to change my view as to whether or not a trustee would be in the best interest of the estate. I think here, I'm hopeful that the Debtors and the Committee, with a lot of input from other ad hoc committees and individuals, will be able to come up with a consensual form of the plan.

I take Ms. Cordy and Ms. Milligan's comments, and Ms. Rood's comments; there clearly is a lot of work, and I've said this before at other hearings, a lot of that has to be done with the regulators, to assure that whatever the structure is going forward, is regulatory compliant. I consider that to be very important.

So, for today at least, the chapter 11 trustee motion is denied without prejudice. In my view, it moots the issue of the discovery requests that are made for now. I do think Mr. Koenig, it would be helpful, but I'm not ordering it, that a declaration from Mr. Barse also be filed

on a record. It would, hopefully, help clear some of the air, okay.

MR. KOENIG: Understood, Your Honor. Thank you.

THE COURT: All right.

MR. HERMAN: Thank you, Your Honor.

THE COURT: Let's move onto the next item on the agenda, and that is the issue of whether the US Trustee ought to have the Court enter an order to show cause, and why the Debtors could not retain Willis Towers Watson. I wanted to have a discussion today about what are the issues regarding the retention, and if necessary, work out a schedule for a motion. Ms. Cornell, do you want to start?

MS. CORNELL: Thank you, Your Honor. Shara Cornell for the Office of the United States Trustee. I should let Your Honor know that myself and the counsel for the Debtors did have a meet and confer yesterday regarding a scheduling.

THE COURT: Okay.

MS. CORNELL: If you'd like us to share that with you --

THE COURT: Yeah, go ahead, please. Well, go ahead and share it for the record, for everybody.

MS. CORNELL: We've decided that the order can be entered, but that responses would be due on March 1, with a hearing date on March 8, and if we have a reply on March 7.

And Mr. Koenig can correct me if I'm wrong.

MR. KOENIG: Your Honor, Chris Koenig. Ms. Cornell is representing accurately. We discussed yesterday, after she filed a motion, we're going to continue to discuss with her office, but we'll file whatever we file by March 1.

THE COURT: Educate me why, because I've had numerous cases with KEIPs and KERPs and I don't know whether Willis Tower was the professional engaged, but in every one of those cases, there was a retention application that was approved. Why no retention application here?

MR. KOENIG: Your Honor, again, Chris Koenig. So, actually, maybe your experience has been different, but we searched our records and searched Willis Towers in particular. We found one case in the Ninth Circuit where the KERP advisor or the KIEP advisor was retained. The position has been that they're not a professional within the meaning of Section 327. They're more like an expert witness, Your Honor. Certainly, that's the way that we've been proceeding through these cases, consistent with our practice in other matters. Again, after Ms. Cornell raised the issue, we search our records to make sure that what we were doing was consistent with practice elsewhere.

THE COURT: Are there any reported decisions that support that, that I could look at?

MR. KOENIG: Your Honor, I don't think that the

issue has been squarely presented, of whether the KERP advisor, or the employee compensation advisor is a professional within the meaning of section 327, but we'll continue to look at it.

THE COURT: Maybe you prevail in the end of the day, and I conclude that they don't have to be retained. But you may not. Why don't you just file a … why are you or they unwilling to file a -- to try and resolve this through a retention application, that usually gets negotiated out with the US Trustee, and becomes a nonissue.

MR. KOENIG: Your Honor, we're certainly amenable to having those conversations --

THE COURT: Have you had that conversation? I mean, it's late in the day already. I can just tell you, if you and Willis loses this issue, this far into the case, I have at least one case where I required an attorney to disgorge all the fees that he had received, because he hadn't been retained. So, the stakes are more than just whether they can go forward or not. If I conclude that they were required to be retained -- and maybe I'm wrong, okay. That's why I asked were there any reported decisions. The consequences -- I was surprised when I read the briefing about how much money they had been paid post-petition, for this work. And do they want to be in a position where they might have to disgorge all of that? But you can decide.

I'm not deciding the issue, okay. I was just surprised that it's gotten to this point.

MR. KOENIG: We understand, Your Honor, and I'm joined by counsel to Willis Towers Watson, who's on the phone, in case he wants to make any remarks as well.

MR. MURLEY: Good afternoon, Your Honor, Luke Murley, of Saul Ewing, on behalf of Willis Towers Watson. In answer to Your Honor's question, we think we do need to have a discussion with both the Debtors and the US Trustee, about what the filing will be, and on all the issues. But to give Your Honor some context, earlier in the case, the US Trustee sought 2004 discovery. We've produced voluntarily, but we haven't yet had a discussion with the US Trustee regarding their recent filing, but we intend to.

THE COURT: Your Honor, Mr. Murley, all I can say, there are so many issues in this Celsius case, I can't believe this is one that you all want to press. If you do, fine, okay. So, submit a revised order and I'll sign it. You've agreed on the schedule. That's fine. Perhaps you could resolve this without the necessity of going forward, with the hearing on March 8.

MR. MURLEY: Thank you, Your Honor.

MR. KOENIG: Thank you.

THE COURT: All right. Mr. Koenig, what else do we have for today?

MR. KOENIG: Your Honor, up next is the status conference on the custody withhold, phase two litigation. So, let me start the status conference with some good news; that we've reached an agreement in principal with the ad hoc group of custodial account holders. We need to turn that into a formal settlement motion, pursuant to bankruptcy rule 9019, file it on the docket, notice it for a hearing, allow people time to review and object and have a hearing. But just wanted to outline the deal, just very quickly, in principle. And of course, you know, the binding terms will be set forth in a 9019 motion.

The agreement would allow each and every custody account holder the option to elect to participate in the settlement, or not. If they elect to participate in the settlement and settle the outstanding preference claims that the estate has against the custody holder, they will receive a total of 72.5 percent of their allowed custody claims over time. I'll come back to the overtime part in a moment. And if they settle, it resolves all claims between the parties relating to the custody claims; the estate's claims against the custodial accountholders for the preference, for the transfer from earn into custody, and whatever claims the custodial accountholders have against the Debtors, for repayment of the entire account balance that's due.

If they don't choose to settle, then an amount

will be set aside under the plan for non-settling custodial accountholders to continue to litigate these issues. They can, you know, litigate and seek more than 72.5 percent of their claim back, and the estate or the litigation trustee can sue them for a preference. So, this gives folks an option. If they want to, you know, put an end to the litigation that we've had for many months in these cases, each and every holder will have that option. And if they want to continue to try to press their rights, they can continue to do so, subject, of course, to the estate and the litigation trustee continuing to pursue their rights. So, it gives folks an option.

I mentioned earlier that we overtime. What we're contemplating is a two-step process. One is, when we file the 9019, once the 9019 is approved, there would be a first payment of half the amount and again, this is lawyer math, which I referenced at last week's hearing, so it's a little -- just to make sure I have the number right, it's 36.25, half of the 72.5, would be paid upon approval of the settlement and the remainder would be paid upon the effective date of the Plan once the Plan is confirmed. So, that -- we're very pleased to have been ale to reach this -- this settlement in principal with the custodial account holders. I'll turn to withhold in a moment, but that's the update on custody and I'm happy for Mr. Ortiz to speak if

you would like.

THE COURT: Mr. Ortiz?

MR. ORTIZ: Good afternoon, Your Honor. So, Your Honor, I think like any good settlement, I think all the parties are just a little unhappy, which I think means that we've hit the sweet spot and it's an appropriate settlement. But critically, you know, should Your Honor approve the settlement, it's going to start getting coins back to holders right away and will dissolve the parties of the uncertainty and expense of Phase 2, which we think is important. That's ultimately -- we believe it's a very positive outcome for our custody clients, for those similarly situated and for the Chapter 11 cases and we will certainly, during this process, be encouraging all custody account holders, whether they're clients or not, to accept because we do think it's a good outcome. And I'd just note, you know, there's still some work to get it approved, but we do appreciate the efforts of the Debtors and the Committee to get to a consensual resolution that has us all appropriately (indiscernible) and happy, Your Honor.

THE COURT: Let me ask you, Mr. Ortiz. So, you represent the Ad Hoc Committee, you don't represent all of the custody account holders. How is it contemplated that this is going to work?

MR. ORTIZ: Well, I think the way it's

contemplated is that ultimately, every custody account holder would have the option to opt in. One of the things that's very helpful to the Debtors of having our group is, they have a pretty good sense of, you know, what percentage of people they're going to get. And I think, you know, what we can do to be helpful, obviously, in the process, is in the communications that will go out to be supportive and help people understand why, at least from the perspective of the custody account group, which again, isn't everybody, but of that group, which is a fairly large percentage of it, why we ultimately determined it was a good outcome.

THE COURT: Is it an opt-in procedure that's anticipated?

MR. ORTIZ: That's correct, Your Honor.

THE COURT: Okay. All right. Mr. Koenig, go ahead.

MR. KOENIG: Yeah, and just really briefly, it's a good segue. So, the custody ad Hoc Group will agree with standstill of the Phase 2 litigation as part of this settlement as that we're not going to proceed with Phase 2 as the custody pending approval of the 9019, and then pending approval of the Chapter 11 Plan. So, that segues pretty well into withhold. We've had conversations with the withhold holders. We, obviously, don't have an agreement yet. We want to continue to talk and see if there's a

resolution of Phase 2 with respect to the withhold holders -- say that ten times fast -- that could be beneficial to all parties or, like Mr. Ortiz said, you know, just the right amount of upset. If we're not able to reach that resolution, we need to figure out what to do with Phase 2 with withhold, given that custody is no longer part of Phase 2. The Debtor's position is that, you know, Phase 2 was premised on there being a ruling of the Court that custody and withhold were not property of the estate because, of course, there's only a preference if withhold is not property of the estate. If withhold is property of the estate, there's no preference, there's no transfer of the Debtor's interest in property.

So, given that custody is out of the picture, if we do go forward with the litigation and don't reach a settlement with the withhold people, we think that there needs to first be a determination of the Court as to the Phase 1 issue with respect to withhold. Back in December, Your Honor said, you know, "I hope that withhold goes forward with Phase 2." That made all the sense in the world. Phase 2 was going forward with respect to custody anyways. But our position is that, if we're going forward with just withhold, there's sort of a predicate issue, which is the resolution of the Phase 1 issue that we argued in December. So, that's the update on withhold from the

Debtor's perspective.

THE COURT: Just -- I'll turn to Ms. Kovsky in a minute, but could you remind me whether the withhold assets were co-mingled with all of the earned assets?

MR. KOENIG: They were, Your Honor. They were in the same fire blocks' workspace.

THE COURT: Okay. All right. Ms. Kovsky?

MS. KOVSKY: Thank you, Your Honor. Deb Kovsky for the Ad Hoc Group of Withhold Account Holders and the other transferees. As Mr. Koenig said, I think something will need to be figured out at some point with Phase 2, perhaps not today. We have been in ongoing discussions. I understand the Debtor's position that we need to go back and revisit Phase 1. Your Honor may recall at the December 7 hearing, you pointed out, quite rightly, that the Debtors have pretty much done a 180 on us and went from saying, "No, withhold is absolutely not property of the estate", to "Well, you know, we don't really know." And you had asked me at that time whether I had all of the evidence in the record that I would want given that change, and my answer was no.

So, if we have to go back and revisit, then we would need a full schedule for that or we can proceed -- the reality is, Your Honor, the withhold group spent a great deal of time and incurred a significant amount of expense

preparing for Phase 2 at Your Honor's request that we move forward with Phase 2. We've gone pretty far down that road and it would, I think, be detrimental to my client group to be told, "Oh, actually, you know, we're not going to have a Phase 2 because we first have to -- we have to do a sequential process and do Phase 1 all over again first and perhaps not get to Phase 2 and not get these issues resolved", when we've already incurred so much expense preparing for Phase 2.

THE COURT: Remind me --

MS. KOVSKY: That said though --

THE COURT: Remind me, Ms. Kovsky, what the aggregate value of the withhold accounts are.

MS. KOVSKY: The entire universe, my understanding is somewhere around $15 million.

THE COURT: Okay.

MS. KOVSKY: And the Withhold Ad Hoc Group is roughly, I think, a little more than 10 percent of that.

THE COURT: All right.

MS. KOVSKY: So that was a very long-winded way of saying, Your Honor, that we're still talking and are probably going to have to come back to you at a subsequent date.

THE COURT: Okay. Mr. Mendelson, you have your hand raised.

MR. MENDELSON: Yes, thank you again. It was just mentioned that, you know, maybe tongue in cheek, that custody is a non-issue or a dead issue at this point. It's not a dead issue to me until I understand what the retail claw back minimum threshold is going to be. And the estate saying that they're going to claw back whatever financially makes sense, I don't know if that's legally standing and that's certainly not a definitive number for me to make my decision as to whether I'm going to accept -- if Your Honor accepts this Settlement Agreement. So, again, I just want to reiterate, we need to know what the retail claw back threshold is going to be, sooner rather than later, before making any decisions about settlements. Thank you.

THE COURT: Thank you, Mr. Mendelson. Did anybody else want to be heard? Mr. Iovine?

MR. IOVINE: Yes, Your Honor. Jason Iovine, pro se creditor. Mine is just in reference to the assets sent in after the petition date. Is there any resolution to that?

THE COURT: People sending crypto in after the filing?

MR. KOENIG: Your Honor, I can provide an update there. So, at the last Omnibus Hearing --

THE COURT: You have to identify yourself on the record, Mr. Koenig, please.

MR. KOENIG: Oh, I'm sorry. Again, Chris Koenig for the Debtors. Thank you, Your Honor. At the last Omnibus Hearing, we -- Your Honor entered an Order authorizing us to re-open the withdrawals of the post-petition deposits.

THE COURT: Right.

MR. KOENIG: We're in the process of doing that, just like we're in the process of opening for custody. So, there will be communications that go out. It's going to lag a little bit behind the custody just because we've been working on custody for so long. But we're working as hard as we can to re-open withdrawals for those folks, as well. The post-petition, sort of, the accidental deposits that Your Honor authorized, we're working on that, as well. But obviously we're trying to open deposits -- we're trying to open withdrawals for both custody and the post-petition folks, as well. But that's certainly continuing just along with the custody withdrawals.

THE COURT: Thanks very much, Mr. Koenig. Anybody else want to be heard? Ms. Kovsky, your hand is still raised or raising a new --

MS. KOVSKY: Sorry. Raised new. I just wanted to mention one other -- it's a minor issue, but I just did want to flag it since it's part of the Status Conference. Part of Your Honor's Order with respect to the release of certain

custody coins also included the release of certain withhold coins. My understanding from the Debtors is that they are working on it. They've run into some technological issues, but my understanding is that this is something that is in process.

THE COURT: Mr. Koenig, can you address that?

MR. KOENIG: Your Honor, Chris Koenig. Yes, I can address it. It's proven more challenging than we had initially thought to identify each and every one of the withhold coins that's within the sort of, the very narrow band that was authorized to be withdrawn. It was, sort of, the "Oops, we sent coins that are not, you know, possible to be, you know, deployed on the Celsius platform." Anybody can create any coin on the Ethereum blockchain. I could create a Koenig coin and send it in to Celsius and, you know, laugh about it. Determining all of those individual coins has proved more technologically challenging. We are working on it, but I think we all expected that this was going to be a much easier issue to finalize and we're still working on it.

THE COURT: All right. Mr. Herrmann?

MR. HERRMANN: Yeah. Thank you, Your Honor. Immanuel Herrmann, pro se Creditor. I just wanted to make a quick point about claw backs. There's actually a pretty -- we don't totally agree all retail customers -- and of

course, there's so many, but actually, a lot of the earned customers even don't think there should be retail claw backs except at a high threshold. So, there might be some debate about, should it be $100,000, a million, whatever it is. But it's not -- people don't really think small accounts should be gone after and there's also --

THE COURT: It's not how the statute's drafted, though, you know. I deal with the law, not -- you know, I hope there's a resolution, Mr. Herrmann.

MR. HERRMANN: Okay. Yeah, me too.

THE COURT: Okay. Mr. --

MR. (indiscernible): Yeah. Jeff (indiscernible), pro se creditor. I was wondering if Chris Koenig could explain a little bit more about the second part of custody. Are you talking about a settlement of, like, for pure custody, let's say, that as an example, you're talking about 70 percent of the 6 percent that people won't be getting back in the first installment?

MR. KOENIG: Again, Chris Koenig. You're asking about how is the resolution of the 6 -- the prior Custody Order allowed 94 percent of pure custody be withdrawn. Your question is, how does this settlement impact the 6 percent?

MR. (indiscernible): Correct, yes.

MR. KOENIG: Yeah, that's a great question and something we're still working on with the parties. We'll

announce it as part of the 9019 settlement.

MR. (indiscernible): Understood. Thank you.

MR. KOENIG: Thank you.

THE COURT: Thank you both, Mr. (indiscernible) and Mr. Koenig. All right. Mr. Koenig, I think we've finished everything on the agenda, haven't we?

MR. KOENIG: Your Honor, I think that's -- I think that's right. There was a Stone adversary -- a stone adversary status conference and I believe one other status conference, as well. But we've gone through the main portion of the case, for sure.

THE COURT: All right. Mr. Hurley?

MR. HURLEY: Thank you, Your Honor.

THE COURT: This is in connection with the Stone adversary proceeding.

MR. HURLEY: Good afternoon, Your Honor. Mitch Hurley with Akin Gump. I'm just looking for Mr. --

THE COURT: His name is Mr. Roche. He's on my screen.

MR. ROCHE: Good afternoon, Your Honor.

THE COURT: Okay.

MR. HURLEY: Oh, there he is. Would you like me to go ahead, Your Honor?

THE COURT: Yes, I would.

MR. HURLEY: Okay. Again, Your Honor, Mitch

Hurley with Akin Gump on behalf of the Celsius Plaintiffs. Your Honor, first I just wanted to thank the Court again for the time that it devoted to hearing the Objection Motion last month and the Evidentiary Hearing that the parties participated in and for entering the TRO yesterday. We think that this is a really important step, including the entry of the TRO, both from the perspective of the protection of creditors and from the perspective of giving these parties some breathing room to consider whether a settlement may be possible. So, the TRO, of course, is now in effect. It will remain in effect until further Order of the Court and we have had some discussions since our last conference with Your Honor about a potential path for settlement. And I want to come back to that in a moment.

First, I just want to bring the Court up to speed, at least on where the parties are in terms of discovery and scheduling. So, we and counsel for the Defendants have conferred on multiple occasions, including very recently, concerning the progress of discovery and the current case management and Scheduling Order. Your Honor may recall that that Order calls for fact discovery to be finished by March 10th, expert discovery to be finished by May 24th and a pre-trial Order filed by June 23rd. So, in discovery, I think both parties agree that substantial progress has been made, but more work remains. Certainly, the litigation related to

the TRO and injunction was time consuming and I think we also agree that some additional time will be required to complete discovery as compared to what's on the schedule now. There's some additional document production that's due from both sides. We expect the Court may be called on if discovery resumes, to resolve some document-related disputes, and there would be depositions and, of course, expert discovery.

As I noted though, since our last conference with Your Honor, the parties had some preliminary discussions about a potential settlement. The discussions have been productive in that the parties appear, again, very preliminarily, to at least be in the same ballpark about the kind of process that might make sense for the parties to engage in to try to get to a settlement. If the parties were able to agree on a process, then we think it's likely that we would come back to you jointly soon, to ask for both a modest extension of some of the deadlines in the existing schedule, and also for a stay of the litigation and those deadlines to provide the parties some time to try to work through their process to see if we can get to a settlement.

If the parties can't agree on a process, we will also advise the Court promptly, including in connection with scheduling. Either way, our objective, and I think it's one shared by the Plaintiffs -- sorry, by the Defendants, is to

come back to the Court next week, hopefully by the middle of next week. We are hopeful, at this point, that we're going to come back with a request for a stay in addition to the modification of the schedule. But those discussions, as I said, are very preliminary so we've got to continue working on it.

THE COURT: All right.

MR. HURLEY: (indiscernible)

THE COURT: I'm sorry, go ahead, Mr. Hurley. Anything else you want to add, Mr. Hurley?

MR. HURLEY: No, Your Honor.

THE COURT: Okay. Mr. Roche?

MR. ROCHE: I think Mr. Hurley has covered it. We spoke -- we've spoken a couple of times this week and I agree with Mr. Hurley's characterization of the conversations. We're hopeful we can get a joint submission to Your Honor by mid-next week. That would include a stay for reasons Your Honor pointed out, in closing arguments at the TRO hearing or, excuse me, at the Preliminary Injunction hearing, just getting a process in place on how the parties can make sure there's transparency around -- on both sides around the accounting because that will, obviously, have impact on the discussions regarding the settlement.

THE COURT: All right. Thank you, Mr. Roche. Keep me advised, Mr. Hurley and Mr. Roche and I hope you're

able to move toward the settlement. Okay.

MR. ROCHE: Understood, Your Honor. Thank you.

THE COURT: All right. So, there were two other adversary proceedings that were on the calendar for status conferences. First, Frishberg v. Celsius Ne5twork, adversary proceeding 22-01179 and Shanks v. Celsius Network, adversary proceeding 22-01190. There are issues that -- there's an issue in each of those that have to be resolved, I think, before the -- they're ripe for a status conference. So, I see Mr. Shanks' hand has been raised and Mr. Frishberg's hand has been raised. I'll -- Mr. Shanks, I'll hear you briefly, but I don't want to get into the details of what the issue is. I think that has to be resolved before those cases are ripe to go forward. But Mr. Shanks, if you want to be heard, go ahead.

MR. SHANKS: Yes. Fred Shanks, pro se. Your Honor, I understand exactly what you're saying, and I appreciate what you're saying. I would like to bring to the Court's attention that Celsius and their lack of proper documentation. And a good example is, I received 1099 Miscellaneous Forms, which there's a severe discrepancy in regards to what's being reported to the IRS, to include the 1099-B. I have reached out to Celsius on a number of occasions. I have it documented via email, and I've received absolutely no response back. This is, again, my --

you know, the fundamental basis of why we're here today is their lack of proper documentation. So, I would just like to bring that to the Court's attention. And if we need to, you know, in regards to the case itself, what it is that needs to be resolved, I am available. And I have reached out to the Defendant's law firm on a number of occasions.

THE COURT: All right. Let me see, Mr. Latona, I see you on the screen. I don't see any of your colleagues. Can you or one of your colleagues find someone who can reach out to Mr. Shanks and see if we can avoid the necessity of going forward with an adversary proceeding. Perhaps there's another resolution that can be reached. So, you have the misfortune, perhaps, Mr. Latona, of being the one I can see on the screen. So, I'm asking if you would do that, if you would reach out to Mr. Shanks and see whether --

MR. LATONA: Yes, Your Honor.

THE COURT: -- you can get him the information he's looking for. Okay?

MR. LATONA: Yes. Good morning, Your Honor. Dan Latona of Kirkland & Ellis on behalf of the Debtors. I'll happily take on that burden. We have been in contact with Mr. Shanks. We understand his concerns regarding the 1099. We'll work with the Debtors to make sure he gets the information that he needs. Regarding the adversary proceeding, as it stands right now, the Debtors and Mr.

Shanks agreed to a stipulation which states discovery pending the Debtor's responsive pleading, which due on February 22nd.

THE COURT: That's fine. Okay.

MR. LATONA: And then, Your Honor, with respect to Mr. Frishberg's adversary --

THE COURT: Yeah, and that's -- that's AP 22-01179. Let me hear from Mr. Frishberg first before I hear from you, Mr. Latona. Go ahead, Mr. Frishberg.

MR. FRISHBERG: Your Honor, I was just going to say, like it was -- like Mr. Latona was going to say, the matter has been adjourned for today.

THE COURT: Okay. Yes, it has. It is adjourned and I think my Chambers have been communicating with you, Mr. Frishberg.

MR. FRISHBERG: Yes, Your Honor.

THE COURT: We're trying to resolve one issue. I don't see any reason to get into that on the record today. Okay?

MR. FRISHBERG: I understand. I (indiscernible) and I plan to address it shortly with action.

THE COURT: That's fine. Okay. Mr. Latona, did you want to address it?

MR. LATONA: No, Your Honor.

THE COURT: Okay. All right. By my reckoning,

that does take care of the agenda for today.

MR. LATONA: Thank you, Your Honor.

THE COURT: Thank you all and see you in March.

MR. KOENIG: Thank you for your time, Your Honor.

THE COURT: Let's hope for more progress, okay? Thank you very much.

MR. KOENIG: We look forward to it. Thank you.

THE COURT: We're adjourned.

(Whereupon these proceedings were concluded at 12:45 PM)

I N D E X

RULINGS

C E R T I F I C A T I O N

I, Sonya Ledanski Hyde, certified that the foregoing transcript is a true and accurate record of the proceedings.

Sonya Ledanski Hyde

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Date: February 16, 2023